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| Austria | Sch24 | Iran | [illegible] | Pakistan | [illegible] |
| Bahrain | Din0.700 | Israel | [illegible] | Philippines | [illegible] |
| Belgium | BFr55 | Italy | L2200 | Poland | [illegible] |
| Cyprus | C£0.85 | Jordan | [illegible] | Portugal | [illegible] |
| Denmark | DKr12.00 | Korea | Won2000 | Qatar | [illegible] |
| Egypt | [illegible] | Kuwait | [illegible] | S.Arabia | [illegible] |
| Finland | [illegible] | Lebanon | [illegible] | Singapore | S$4.10 |
| France | FFr7.50 | Lux | LFr55 | Spain | Pta185 |
| Germany | DM2.50 | Malaysia | M$4.25 | Sweden | SKr12 |
| Greece | Dr180 | Morocco | MDH9.00 | Switz | SFr2.50 |
| Hungary | Ft167 | Neth | Fl 3.25 | Thailand | Bht50 |
| Iceland | IKr160 | Nigeria | Naira12 | Tunisia | Din0.850 |
| India | Rs15 | Norway | NKr12.00 | Turkey | L3000 |
| Indonesia | Rp3100 | Oman | OR1 | UAE | Dh7.50 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,326




Tuesday December 11 1990

Φ D 8523A

**BANGLADESH**
**Joy gives way to uncertainty**
Page 4

## World News

### Havel seeks wider powers to avoid Czech split

Czechoslovak president Vaclav Havel asked parliament for wider powers to prevent the country splitting into two states. Page 18

**Walesa hands over**
Poland's president-elect Lech Walesa, who won nearly 75 per cent of the second-round vote on Sunday, handed over the running of the Solidarity trade union to a trusted aide. Page 2

**Peking wrangle**
Backstage wrangling over the pace of economic reform has delayed drafting of Peking's plans for new five- and 10-year economic plans.

**Township toll rises**
Faction fighting left 25 dead, 13 of them in the Johannesburg black township of Tokoza, as President F.W. de Klerk and African National Congress leader Nelson Mandela continued peace efforts.

**Sudan food appeal**
The UN Food and Agriculture Organisation appealed for 1.3m tons of food for Sudan, where it said millions of people are at risk from famine. Famine affects 10m, Page 4

**Friends again**
Australian Prime Minister Bob Hawke and his deputy, treasurer Paul Keating, resolved their leadership rift and agreed to co-operate to fight the next election, due in 1993.

**Serbian poll doubts**
Serbian opposition leaders lodged scores of protests alleging irregularities in the first free election for 50 years in Yugoslavia's biggest republic.

**Libyan officers die**
The bodies of two Libyan officers believed killed by the forces of ousted Chadian president Hissene Habre were flown back to Tripoli.

**Migrant round-up**
Australia rounded up a record 536 illegal immigrants in November after a new immigration law came into force.

**Aquino sacks deputy**
Philippines president Corazon Aquino replaced Mr Catalino Macaraig, her deputy in the cabinet who was also the government's energy co-ordinator. Page 4

**Phnom Penh worry**
The Phnom Penh government is expecting a major Khmer Rouge guerrilla offensive against its northern province of Siem Reap, the spiritual centre of Cambodian culture.

**Rebel HQ seized**
Colombian troops seized the mountain headquarters of the Revolutionary Armed Forces, the country's biggest rebel group. Election undermined, Page 6

**Hostages welcomed**
Emotional scenes at European airports greeted the return of hundreds of male hostages held in Iraq and Kuwait. They were among the first freed after Iraq's promise that all would be home by Christmas.

**New party leader**
Germany's Social Democrats named Björn Engholm, president of the state of Schleswig-Holstein, to lead the party one week after they suffered bruising election losses. Page 3

**Italy buffeted**
Wind, rain and snow battered Italy, isolating mountain communities and flooding Venice's Piazza San Marco as the Adriatic rose 4ft above normal.

**Cool as a...**
A man who held up a London petrol station at cucumber point was jailed for 3½ years. He wrapped the vegetable in a black plastic bag and pointed it at a terrified attendant.

## Business Summary

### Consortium pays $1.76bn to win control of Telmex

A consortium headed by Mr Carlos Slim, a prominent Mexican businessman, has paid $1.76bn for a 20 per cent controlling stake in Telmex, the telephone company that is the flagship of Mexico's privatisation programme. Page 19

MARKETS: New York: Bargain buying helped share prices recover from early weakness on Gulf and economic worries. At the close, the Dow Jones Industrial Average was up 6.68 to 2596.78. Tokyo: In spite of profit-taking, the Nikkei average rose for the fourth consecutive session, adding 262.18 to 23,784.67. Frankfurt: DAX closed 8.04 lower at 1,504.80, against a high of 1,521.09. Back Page, Section II

THE US is preparing to impose 200 per cent duties on a range of EC agricultural and beverage exports worth almost $420m in response to the stalled Uruguay Round trade talks. Page 18

VOLKSWAGEN and Skoda are planning a DM9.5bn ($6.4bn) investment programme to modernise and expand the Czechoslovak car maker's operations during the next 10 years. Page 19

LONE STAR Industries, large US cement and construction materials company which has been shrinking rapidly over the past few years, filed for reorganisation under Chapter 11 of the US bankruptcy code. Page 19

BERISFORD International, UK property and commodities group which on Saturday agreed to sell British Sugar for £880m ($1.69bn), revealed a pre-tax loss for year to end-September of £96.1m. Page 20; Lex, Page 18

INDONESIA'S government-run Jakarta Stock Exchange will be privatised at the start of next year as part of a radical reform package announced last week. Page 4

CS HOLDING, parent of investment banking group Credit Suisse and CS First Boston, says net earnings this year will be "considerably lower" than the SFr865m ($680m) realised in 1989. Page 20

NORTHWEST Airlines, fourth-largest US carrier, has finally secured access to Australian market, through a deal with Hawaiian Airlines. Page 22

BSN, French food group, agreed to pay FFr400m ($78.3m) to lift its stake in Galbani, Italian producer of cheese and salted meat, by 15 percentage points to 50 per cent. Page 20

NISSAN Motor cancelled an agreement to assemble Volkswagen Passat vehicles in Japan, after poor sales for the imported version of the model. Page 6

WHEELING-Pittsburgh, US steelmaker, is expected to receive clearance to emerge from Chapter 11 bankruptcy proceedings this week, after a series of court hearings. Page 22

LEVITT Group, one of the UK's largest private financial services companies, is under investigation following the discovery of irregularities in its accounts. Page 18

PETROCORP Exploration, subsidiary of New Zealand's Fletcher Challenge group, says it will head the first foreign consortium to be awarded an exploration licence on mainland China. Page 6

GOLD: Six South African gold mines can expect to close within two years unless there is an improvement in the price of the precious metal, according to an analyst at S.G. Warburg Securities, the financial services group. Page 34

FLUOR, large engineering and construction services company, saw profits surge by 35 per cent in the year to the end of October. Page 22

Brussels unveils $4bn aid package ● Shevardnadze seeks economic co-operation

# US likely to send Soviets food

By Peter Riddell in Washington and David Buchan in Brussels

THE US is this week likely to agree to Soviet requests for humanitarian medical and food assistance and may open the way for a reduction in trade barriers.

An announcement could come after Mr Eduard Shevardnadze, the Soviet foreign minister, sees US president George Bush at the White House tomorrow afternoon.

At the opening of two days of ministerial talks in Houston, Texas, the home town of Mr James Baker, the US secretary of state, Mr Shevardnadze said the Soviet Union would "appreciate, if possible, some food supplies – that is the most acute problem – and efficient economic co-operation".

As the US pondered its response to the Soviet food crisis the European Commission yesterday unveiled its own aid package for the Soviet Union and eastern Europe, worth more than Ecu3bn ($4bn) next year. However, several EC member states criticised details of the plan.

Mr Jacques Delors, the Commission president, said he would "think over again" the precise proposals he would put to the European Community summit in Rome on Friday after finance ministers had taken their first close look at his plans to give Moscow Ecu750m worth of credit and grants for emergency food aid.

Mr Baker said the US wanted to be of "assistance in ways that we can be". He added that "as far as humanitarian assistance, medical assistance, food and that sort of thing, I know the president will be very forthcoming".

Any US move would follow the provision of substantial emergency food assistance by Germany and would be intended to prevent chaos this winter and allow time for reform programmes to come into operation.

Baker noted there were [illegible] restrictions on what would be done.

Until now the Bush administration has said that it would not waive the Jackson/Vanik amendment which links favourable trade status and financing to the passing of a more liberal Soviet emigration law.

It would also not send the US/Soviet trade agreement signed five months ago to Congress until the Soviet legislature passes such laws.

However, the White House yesterday confirmed that Mr Bush was considering a waiver without the passage of such a law.

Mr Marlin Fitzwater, Mr Bush's spokesman, said this was because of the Soviet Union's "very serious needs in terms of their economy and ability to get food supplies" and because of Soviet "co-operation on the Gulf and its strong support of us in that area."

He also noted that emigration in practice, particularly of Soviet Jews, was as great as would be allowed under the proposed law.

US Jewish leaders have also come out in support of an easing on the Jackson/Vanik front, making it is much easier for Mr Bush to go ahead with at least a partial waiver.

Eduard Shevardnadze (left) shares a joke with James Baker before yesterday's talks

Mr Yitzhak Shamir, the Israeli prime minister, who sees Mr Bush this morning, has urged a suspension for a year or so to facilitate trade relations between the Soviet Union and the US and help Moscow.

Mr Fitzwater suggested that it was more likely that the US would provide medical assistance than food, though an extension of agricultural trade credits is expected, to help the export of US grain to the Soviet Union.

The two foreign ministers are also discussing the Gulf crisis and are trying to conclude a treaty which will reduce US and Soviet long-range nuclear missiles by about 30 per cent.

Once a treaty is ready Mr Bush plans to travel to Moscow for the signing to see President Mikhail Gorbachev. This was originally planned for early January but now looks likely to slip, partly because of the Gulf crisis, until the end of that month or February.

Chiefly at issue in Brussels was the EC Commission's suggestion to give the Soviet Union Ecu500m worth of credit to buy food out of EC stocks, in addition to Ecu250m worth of food as a straight grant.

Germany, Britain and the Netherlands argued that it was better not to write into the EC budget Soviet credits which Mr Norman Lamont, the UK chancellor of the exchequer, said "might have to be written off".

France also expressed reservations about extending EC credit operations into the new area of food financing.

Germany and several other countries seemed to have no quarrel with the level of proposed food aid, only with the method of its financing.

The Commission estimates the six countries of eastern Europe are still some Ecu4bn short of what they will need next year to absorb the additional shock of having to pay the higher world price for Soviet oil in hard currency.

Traditional Soviet food suppliers are worried about the effect on their exports if the EC dumps a great quantity of free food on the Soviet market.

Continued on Page 18
Brussels' aid plan criticised, Page 2; US food credit quandary, Page 6

# Security Pacific to reduce activities

By Alan Friedman in New York

SECURITY Pacific, the fifth biggest US commercial bank, yesterday announced that it was withdrawing from many of its European and Australian businesses and disbanding its merchant bank subsidiary.

The California-based bank said it would make $850m of loan loss provisions and restructuring charges in the fourth quarter. A sweeping restructure will lead to the elimination of nearly 4,000 jobs, or 10 per cent of its total staff.

Mr Robert Smith, chief executive, said the aim was to strengthen the bank's balance sheet and focus on core consumer and corporate businesses in the western part of the US and in the Far East.

"We in the US banking system are very short on capital and one way to raise capital is to eliminate less strategic businesses and return to the core," Mr Smith explained.

Security Pacific said the moves would lead to a fourth quarter loss of $320m to $360m. This will result in full-year 1990 net income of $160m to $200m, which compares with 1989 net profits of $740.6m.

The restructuring includes a $600m fourth quarter provision for loan losses, of which $325m is principally for specific bad debts in Australian real estate and corporate lending and Arizona real estate. The remaining $275m is a general provisison for the future.

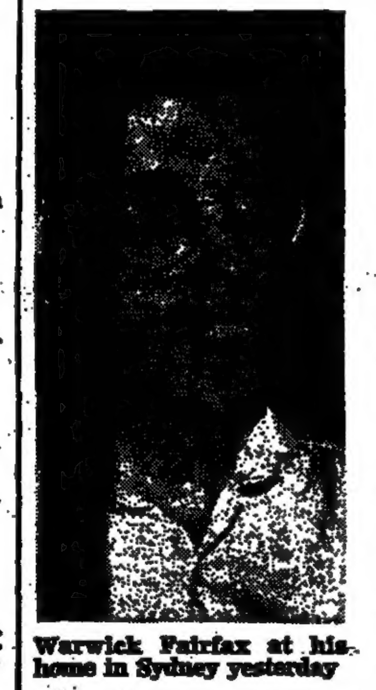
The provisison brings full-year total loan loss provisions to $1.1bn.

The bank is also taking a $200m fourth quarter write-off because it is disbanding its merchant banking operation, which employs 3,200 people worldwide and has assets of $24.8bn.

Mr Smith said some 3,000 of the job cuts would come from the liquidation and sale of merchant banking assets, which would reduce total group assets by $5bn to $7bn.

He said a further 750 jobs and $2bn to $3bn of assets would be cut as the bank reduces its financial services activities in the US, Europe and Australia by asset disposals and liquidations. In the UK the bank plans to sell its Eurofinance commercial finance business as well as its consumer finance business.

Security Pacific also established a new $50m reserve in
Continued on Page 18



Warwick Fairfax at his home in Sydney yesterday

# Fairfax placed in hands of receiver

By Tim Blue in Sydney and Raymond Snoddy in London

JOHN FAIRFAX Group, a privately owned company which publishes three leading Australian daily newspapers, yesterday went into receivership with debts of A$1.7bn ($1.31bn).

Two UK media companies are likely to be interested in parts of the group. Pearson, publisher of the Financial Times, has expressed interest in the purchase of at least a significant stake in the Australian Financial Review.

Mr Robert Maxwell's Mirror Group newspapers would consider a bid for the Melbourne Age if approached.

However, bankers to Fairfax said there was no intention to break up the group and that they would continue Fairfax's business activities, which consist principally of the Sydney Morning Herald as well as the Age and the Australian Financial Review.

UK companies would have to comply with the Australian government's regulations on foreign ownership if they were to acquire all or part of the group.

AMP, Australia's biggest life assurance group, is believed to be considering the formation of a consortium with other local groups for the purchase of all or part of John Fairfax.

ANZ, one of the country's biggest banks, and Citibank of the US are owed $A1.1bn and the remaining debt is in the form of nearly $A500m in high-yielding bonds and an overdraft facility of $A100m.

The group's financial problems have deepened progressively since late 1987 when Mr Warwick Fairfax, then 26 and a member of the family which has controlled the company since its formation 150 years ago, took the company private through a A$2.1bn takeover.

To help service debt, Mr Fairfax sold the group's nationwide television, radio and magazine interests.

But in the three months to September 30 this year, after debt payments the company made a A$16.6m loss.

Earnings before interest but after depreciation fell by 32.7 per cent to A$40m for the quarter, while revenue dipped by 11.9 per cent to A$193m, reflecting deepening economic problems in Australia.

The appointment of the receiver came yesterday after John Fairfax Group Finance, the subsidiary owing the majority of the debt, was placed in provisional liquidation. Banks had refused a $850m rollover.

The banks said the object of the receivership to the group "is to create a stable environment for the effective reconstruction of Fairfax involving participation by shareholders, bondholders, other creditors and their respective advisers." They added they "have been advised that their exposure as at the date of the appointment of the receiver and manager is fully recoverable."

The announcement came after the close of the stock market, but in late afternoon trading ANZ shares fell 16 cents to A$3.46 on rumours of the move.

Family feud brings down a dynasty, Page 16

# UK guidelines aid banks to spot money laundering transactions

By David Lascelles, Banking Editor, in London

THE UK stepped up its campaign against money laundering yesterday with a detailed set of guidelines to aid banks in spotting and reporting suspicious transactions.

The 20-page document, prepared by the banking industry with the help of the National Drug Intelligence Unit, Customs and Excise, the police and the Bank of England, emphasises the banks' statutory duty to alert the enforcement agencies to suspected criminal activity.

Mr Graham Kentfield, a senior Bank of England official who oversaw the drafting of the guidelines, said: "Money laundering can do a lot of damage to the banking system. That is a legitimate concern for us as a central bank."

The guidelines make clear that banks must identify all their customers personally, if possible through a face-to-face meeting. They define reliable forms of identification (a passport is best) and the unreliable (a birth certificate because it can be copied or forged).

The guidelines explain how banks should pass on their suspicions to the authorities. An appendix gives detailed descriptions of the ways criminals can launder money, and relates several case studies where bank information led to the conviction of drug runners.

UK statute exempts banks from their duty of confidentiality when reporting suspected money laundering. Mr Michael Hyland, head of group security at Midland Bank and chairman of the money laundering working party of the British Bankers Association, said bank customers would have nothing to fear provided their affairs were legitimate.

"Banks are very sensitive to this matter," he said. "But the guidance notes do not create a problem. They only codify existing regulatory obligations."

The guidance notes apply both to banks and home loans and savings institutions. But they will soon be extended to cover the insurance and investment areas as well. Eventually they will also cover auctioneers, car dealers and other businesses where criminals can convert large amounts of cash into valuable goods.

Mr Kentfield said the guidelines were necessary because the UK had opted for an anti-money laundering system which depended on the suspicions of banks for its effect.

The guidelines are the latest of a series of initiatives taken by the UK and other countries to combat money laundering.

Last year, the Basle Committee of International Banking Supervisors issued a standard requiring banks to "know your customer". That was followed by a task force of the Group of Seven industrial countries which called for greater diligence by banks in reporting suspicious transactions and recommended closer international co-operation.

The EC is also in the final stages of preparing a directive on money laundering which may be approved by the end of this year. This will also establish a suspicion-based system, and will become law in all EC member countries.

Banks join forces, Page 9



## CONTENTS


**Ecuador:** Oil exploration and Indian rights form volatile mix ........ 6
**Banking:** Joining forces to counter money launderers ........ 9
**Management:** How the EC plans to use its extra resources ........ 12
**Editorial Comment:** Poland's new president; The limits of confidentiality ........ 16
**Foreign Affairs:** A common defence policy for Europe ........ 17
**Ariane space launcher:** Seeking new skies to conquer ........ 22
**Kobe Steel:** A dip in the R&D pool ........ 33

| | | | |
|---|---|---|---|
| Europe | 2,3 | Britain | 9,10 |
| Companies | 20 | Companies | 28-29 |
| America | 6 | Arts Guide + Reviews | 15 |
| Companies | 22 | Commodities | 34 |
| International | 4 | Crossword | 42 |
| Companies | 24 | Currencies & money | 42 |
| World Trade | 6 | | |

| | | | |
|---|---|---|---|
| Editorial Comment | 16 | Observer | 15 |
| Financial Futures | 42 | Stock Markets | 35-46 |
| Gold | 34 | -London | 35-37 |
| Intl. Capital Markets | 25 | Technology | 22 |
| Letters | 17 | Unit Trusts | 38-42 |
| Lex | 18 | World Index | 45 |
| Management | 12 | | |


**Small parties emerge as key to Danish poll**

The Danish Social Democratic Party looks set to have one of its best elections tomorrow. But the ambition of its leader, Svend Auken (left), to become prime minister seems likely to be thwarted
Page 3

## MARKETS

**STERLING**
New York lunchtime: $1.9425
London: $1.9445 (1.9515)
DM2.8625 (2.8675)
FFr9.7325 (9.7975)
SFr2.455 (2.4625)
Y256.50 (255.75)
£ Index 93.3 (93.5)

**GOLD**
New York: Comex Feb $375.9
London: $374.05 (369.25)

**N SEA OIL** (Argus)
Brent Jan $27.70 (27.25)

Chief price changes yesterday: Page 19

**DOLLAR**
New York lunchtime:
DM1.473
FFr5.004
SFr1.261
Y131.83
London:
DM1.4725 (1.4795)
FFr5.005 (5.02)
SFr1.2625 (same)
Y131.85 (131.10)
$ Index 60.3 (60.5)
Tokyo close: Y130.55

**US lunchtime rates**
Fed Funds 7⅛%
3-mo Treasury Bills: yield: 7.052%
Long Bond: 108$\frac{1}{32}$
yield: 8.121%

**STOCK INDICES**
FT-SE 100: 2,182.5 (−0.9)
FT Ordinary: 1,721.5 (−2.3)
FT-A All-Share: 1,049.99 (−0.1%)
New York lunchtime:
DJ Ind. Av. 2,592.82 (+2.72)
S&P Comp 328.27 (+0.52)
Tokyo: Nikkei 23,784.67 (+262.18)

**LONDON MONEY**
3-month interbank: closing 13$\frac{7}{16}$% (13$\frac{7}{16}$)
Liffe long gilt future: Mar 89$\frac{15}{32}$ (89$\frac{11}{32}$)

# Gorbachev struggles to hold the union together

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev yesterday ignored the evidence that his own Communist party is beginning to follow the disintegration process of the Soviet Union, and launched a passionate defence of the unified national state.

Speaking only days after the Georgian party followed the lead of Lithuania in declaring its independence from the Soviet Communist Party, Mr Gorbachev denounced "arrant, extremist nationalism" as the most serious danger now facing the country.

He appealed to a plenary meeting of the ruling party's central committee – once the most powerful body in the country, but now increasingly marginalised by the widening political debate – to back his efforts to persuade all 15 Soviet republics to remain within a single federal state.

"The task the party is facing today is to do everything in its power to assist in the creation of a mighty political sentiment in favour of preserving and renewing the union," he said.

The crucial two-day meeting, being held one week before the congress of people's deputies meets to consider Mr Gorbachev's draft of a new union treaty, is the reason why the Soviet leader cancelled his attendance at today's presentation ceremony of his Nobel peace prize in Oslo.

"The Communist party remains today the only political force on an all-union scale," he said, in spite of last week's defection by the Georgian party, which now openly supports that republic's campaign for outright independence. Also at the weekend, the independent Lithuanian party, which broke away at the start of the year, renamed itself the Democratic Labour party.

Mr Gorbachev said the Communist party "stands for preservation and radical renewal of the union. It is not a tactical move, not a concession to anybody undertaken under pressure of circumstances. It is a position of principle."

He admitted that the republics were striving to break away from the "oppressive guardianship" of Moscow's old-style rule. However, he also expressed his conviction that every Soviet republic ("I mean its people, not the ambitious public figures straining after portfolios") must recognise the advantages of remaining within the union.

"There is no more serious danger in the country today than arrant, extremist nationalism," he said. The key question to be resolved was power-sharing between the central government and the republics. "But this process now is out of control. It has the character of open confrontation."

Mr Gorbachev's furious battle to preserve the union appears to be forcing him increasingly to fall back on the three pillars of Soviet society still committed to a unitary state: the Communist party, the military and the KGB. Yet even those institutions are not united in themselves.

He repeated his insistence that no republic should be allowed to leave the union without a referendum, although the Baltic republics reject that. They insist that they were never legally incorporated into the union, having been invaded by the Red Army in 1940, and therefore do not need legally to leave it.

THE SOVIET parliament yesterday approved laws to protect both investors and trade unions from interference by the state.

The investment law is supposed to provide a framework guaranteeing legal rights for all investors, but leaving detailed laws to be drawn up by the republics.

Among other provisions, it allows for compensation in the case of nationalisation, although it provides no yardstick for valuing investments. It also calls for compensation for loss of profit if state bodies "violate investors' rights".

However, there is no guarantee of the right to repatriation of profits for foreign investors, although the latest presidential decree on the subject suggested this would be done.

The law on unions guarantees their independence, allowing them to break their ties with the Communist party. It gives them wide powers to enforce a labour code at individual enterprises. It also gives them a legal role in determining compensation for workers facing price rises.


ANGRY Soviet citiziens gathered outside the Norwegian embassy in Moscow to protest against the award in Oslo yesterday of the Nobel peace prize to President Mikhail Gorbachev.

The protesters carried a cartoon (see above) showing the president arriving in Norway in a nuclear submarine to pick up his prize. However Mr Gorbachev did not attend the ceremony in person, citing the Soviet Union's many domestic problems. Mr Anatoly Kovalyov, first deputy foreign minster, accepted the award and delivered a speech on his behalf.

In it Mr Gorbachev denounced hard-line opposition to perestroika and praised the international community for showing solidarity with the Soviet Union at a difficult time.

He said 1990 represented a turning point by marking the end of the unnatural division of Europe. He warned, however, of "some very grave threats that have not yet been eliminated: potential for conflict and the primitive instincts which allow it, aggressive intentions, and totalitarian traditions."

# Brussels' Ecu3bn aid proposal criticised

By David Buchan in Brussels

THE European Commission yesterday proposed aid worth more than Ecu3bn (£2.1bn) for the Soviet Union and eastern Europe next year but several EC member states criticised key aspects of the plan.

Mr Jacques Delors, the Commission president, said he would "think over again" the precise proposals he would put to the European Community summit in Rome on Friday, after finance ministers had taken their first close look at his plans to give Moscow Ecu750m worth of credit and grants for emergency food aid.

He suggested the Community might soon have to revise its long-term financial guidelines to meet the unforeseen external demands being put on it.

Chiefly at issue was the Commission suggestion to give the Soviet Union Ecu500m worth of credit to buy food out of EC stocks, in addition to Ecu250m worth of food as a straight grant.

Germany, Britain and the Netherlands argued that it was better not to write into the EC budget Soviet credits which Mr Norman Lamont, the UK chancellor of the exchequer, said "might have to be written off".

France also expressed reservations about extending EC credit operations into the new area of food financing.

Germany and several other countries seemed to have no quarrel with the level of proposed food aid, only with the method of its financing.

But Mr Lamont, with some Dutch backing, hoped that aid to the east could be contained within the Community's 1991 budget guideline, in which only Ecu830m remain uncommitted.

Mr Delors, however, highlighted the dilemma for the Community in increasing the grant element in its Soviet aid package.

"We don't want to give the impression that we are neglecting famine in other parts of the world, nor do we want to upset the world market," he said.

Traditional Soviet food suppliers, ranging from North America and Hungary, to Australia and New Zealand, are worried about the effect on their exports if the EC dumps free food on the Soviet market.

Referring to "the steadily worsening Soviet distribution problem, Mr Delors said the EC was "answerable to all Europeans" in ensuring any EC food reached the genuinely needy in the Soviet Union.

The Commission estimates the six countries of eastern Europe are still some Ecu4bn short of what they will need next year to absorb the additional shock of having to pay the higher world price for Soviet oil in hard currency.

But ministers yesterday agreed the EC should share with its 12 partners in the Group of 24 western aid donors the task of filling east Europe's 1991 financing gap.

# Walesa hands reins of Solidarity to trusted aide

By Christopher Bobinski in Warsaw

POLAND'S designate president, Mr Lech Walesa, basking in the triumph of his victory, yesterday handed over the running of the Solidarity trade union to a trusted aide.

His defeated opponent, Mr Stanislaw Tyminski, was meanwhile prevented by the public prosecutor's office from leaving the country so that he could be questioned for "demeaning a state organ". The offence carries a maximum prison sentence of eight years.

During an election rally on November 17, Mr Tyminski accused Mr Tadeusz Mazowiecki, the prime minister, of betraying Poland's interests by undervaluing state sector companies now being privatised. He later modified his statement to accuse Mr Mazowiecki of "ignoring" the national interest.

Unofficial results indicate that Mr Walesa received 74.25 per cent, or 11m votes, and Mr Tyminski, the Polish-Canadian businessman, 25 per cent, or 3.5m votes. However, Mr Walesa failed to receive the resounding mandate he had hoped for, with the turnout a low 53.4 per cent.

The battle for control of the Solidarity union, which catapulted Mr Walesa into the limelight more than 10 years ago, will be decided at a special congress. But Mr Walesa yesterday acted quickly in nominating Mr Bogdan Borusewicz as his temporary successor. He also moved from Gdansk to Sopot, a resort on the Baltic coast, until his inauguration.

Today, he will visit Czestochowa, Poland's revered Catholic shrine and is expected to announce his candidate for prime minister later this week.

Despite suggestions that he might choose Mr Leszek Balcerowicz, the finance minister who has been responsible for an austerity programme approved by the International Monetary Fund, Mr Walesa may be tempted to leave him in his present post. Instead, he might hand overall responsibility for the economy to someone from among the groups which supported him in the election campaign.

These include Mr Walesa's close aides in Gdansk, the Gdansk-based free market Liberal Democratic group, the conservative Centre Agreement Solidarity faction, and the Solidarity "network", a factory-based organisation which favours employee share ownership schemes.

It remains unclear what sort of role Mr Walesa wants to play as president. He has remained reticent on this issue saying only that he is weighing up "five variants and another three solutions".

However, he has shown little sign that he intends to relinquish the political initiative he now has. There is speculation that he may try to concentrate power in the presidency and thus dominate the government and parliament.

Mr Walesa is acutely aware of the social costs of the current austerity policies. The first casualty was Mr Mazowiecki, who won a mere 18 per cent of the vote in the first round of elections. The result was a warning that new faces need to be brought into the government – even if the same tough policies are to be conducted.

Mr Walesa's powers will also depend on the new constitution on which the Sejm, or parliament, is still working. So far the tendency has been to reduce the president's powers with the aim of leaving room for the government and parliament to play a significant role in decision making.

Editorial comment, Page 16

# Opel to build assembly plant in E Germany

By Andrew Fisher in Frankfurt

ADAM OPEL, the German subsidiary of General Motors of the US, will announce on Thursday its decision to build a DM1bn (£300m) assembly plant in east Germany.

The deal will bring the level of planned German automotive investment in east Germany up to about DM7bn. Volkswagen is investing about DM5bn, mostly in a new assembly plant for its Golf family cars, while Mercedes-Benz will spend some DM1bn on a truck facility.

The Opel plant, to be built at Eisenach, near the former border between the two Germanys, will have an annual capacity of about 150,000 small Corsa and Kadett cars a year and employ more than 2,000 people.

VW/Skoda, Page 19

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

# Small parties key to Danish poll

**Hilary Barnes examines the issues in tomorrow's general election**

THE Danish Social Democratic Party, which dominated Danish politics for most of the 50 years until it lost office in 1982, is surging ahead in the opinion polls and stands to have one of its best elections for a long time, but even so the ambition of its leader, Mr Svend Auken, 47, to become prime minister seems likely to be thwarted.

He has two chances. The first is that two of the small, neo-Communist parties which are standing in the election surmount the two per cent vote barrier. This is unlikely, but if it happened Mr Auken, a former minister of labour, might be able to form a minority government with left-wing support alone – a "red cabinet" in the terminology of the non-socialist parties.

His best chance is that Ms Mimi Jakobsen, who leads the small Centre Democratic Party (and is the only woman party leader in Denmark), would like to see a majority coalition of the Social Democrats and Prime Minister Poul Schlüter's Conservatives, arguing that the country needs a strong, stable majority government to tackle the challenges of the 1990s.

As the Centre Democrats may well hold the swing vote in a hung parliament after the election, the party may be able to force the SDP and the Conservatives to consider her proposal in the post-election manoeuvrings.

Mr Schlüter, prime minister since 1982 and at present head of a minority coalition of his own Conservatives plus the Liberal Party and the Radical Liberals, says he thinks the idea unworkable. But he is nevertheless prepared to sound out the possibility for a majority coalition, to include the Socialists, Conservatives and Liberals.

Prime Minister Poul Schlüter voting in the last election

Support for the Social Democrats is up from 29.8 per cent in the 1988 election to 33-35 per cent in the opinion polls, but this seems to be less a reaction to eight years under Mr Schlüter than falling support for the left-wing Socialist People's Party, down from 13 to 10 per cent in the same polls.

In policy terms, the political scene is relatively calm. After dramatic battles over foreign policy issues in the 1980s the Social Democrats and the non-socialist parties are in broad agreement on both Nato and EC. There is also agreement that Denmark must stick to its ERM membership.

But there are important differences between the SDP and non-socialist parties. The SDP are more inclined to support generous public spending policies than the government. It also claims to be keener on environmental policies and has fewer inhibitions against taxing capital gains from property and shares.

Denmark under Mr Schlüter has been less prodigal than previously. Inflation is under 3 per cent, the trade surplus – at around kr35bn this year – is relatively one of the largest in Europe, and this year for the first time since 1963 there will be a current account surplus.

Unemployment, though, is running at 9.8 per cent, but neither side is offering a quick fix for this problem. Mr Schlüter called the election, 18 months before it is due, when negotiations between his government and the Social Democrats over tax and labour reforms broke down.

Tax reform ought therefore to be the main policy issue in the election. As Mr Ellemann-Jensen says, "there are major differences of principle between us and the Social Democrats."

But in the course of the negotiations between the coalition and the Social Democrats the differences over the main issue, the government's desire to reduce the top rate of income tax from 68 per cent to 62 per cent, was narrowed to whether it should become 64 or 66 per cent. Hence, most voters wonder what all the fuss is about.

Meanwhile, the election could hang on whether the two extreme left-wing parties scrape home. The Unity Party, which represents the Communists and two other small parties, is the least likely to get in, but the second – Common Cause – could just make it.

Its leader is Mr Preben Moller Hansen, chairman of the Seaman's Union. Also standing for the party is Mr Mogens Glistrup, founder and former chairman of the tax-protest Progress Party. He was kicked out of his own party last month and has done a deal with Mr Moller Hansen as his only possibility for getting back into the Folketing. The polls suggest they both will.

# Budapest near accord with IMF

**By Nicholas Denton in Budapest**

INTERNATIONAL Monetary Fund and Hungarian officials said yesterday they were on the brink of agreement on a three-year programme to help the country through the painful restructuring of its economy.

Mr Gerard Belanger, assistant director of the IMF's east European division, said they hoped to make an announcement in a couple of days.

The Hungarian government's planned budget deficit of 78bn forints ($1.27bn) and current account deficit of $1.2bn were acceptable to the IMF, said Mr Frigyes Harshegyi, deputy president of the central bank.

The signs of success have surprised many people, including some within the government, who felt the sketchiness of its three-year economic programme would make an agreement with the IMF for more than a year impossible.

Attention now turns to parliament, since the signing of a letter of intent with the IMF depends on parliamentary acceptance of the government's 1991 budget draft.

The likelihood of agreement with the IMF staves off the possibility of Hungary rescheduling its $21bn foreign debt. Mr Harshegyi said last week that agreements with the IMF and the World Bank could release $600m-$800m of credits next year.

# WEU to play more important role in European defence

**By Ian Davidson in Paris**

THE NINE nations in the Western European Union defence grouping decided yesterday that the organisation must play an important part in the future security structure of Europe.

Foreign and defence ministers of the member states agreed that the WEU – Britain, France, Germany, Italy, Spain, Portugal and Benelux – has a key role to play both in the construction of Europe and in the modernisation of Nato.

They also agreed that the WEU should make an "appropriate contribution" to the increasingly important European security problems lying outside the European area.

Mr Roland Dumas, France's foreign minister, said afterwards that some delegations had put more emphasis on the Atlantic alliance, while others had stressed the construction of Europe. But he said these were differences of weighting, not contradictions.

Yesterday's communique marks a new step in the emergence of a growing European consensus in favour both of a stronger defence dimension and a stronger role for the WEU. This is in part a direct consequence of the Gulf crisis, in which the organisation has found an important role in co-ordinating the European contribution to the naval embargo.

Since all nine governments are also members of the European Community, yesterday's agreement guarantees that a reinforced role for the WEU will be high on the agenda of the inter-governmental conference on European political union, which is to be launched at the EC summit in Rome at the end of this week.

Moreover, it appears to confirm that the new British government has already moved towards a more European-centred defence posture.

The communique follows the joint letter circulated last Friday by France and Germany urging that the future political union should work with the WEU on a common European security policy, and eventually on a common defence policy.

Yesterday's statement represented an important up-grading of the role now being assigned by western European governments to an organisation which has languished for most of its 36-year existence.

It said the construction of Europe should include a defence dimension, in which the WEU could play an important role in liaison with the evolution of political union. The WEU would be essential in modernising the political and military structures of Nato, in developing a larger role for Europe, and in strengthening transatlantic solidarity.

More detailed proposals on the role of WEU in the future security architecture of Europe will be submitted to the next regular ministerial meeting early in 1991. Meanwhile national chiefs of staff will meet early next year to make a military appraisal of the challenge to European security, and to study co-operation between member states.

# SPD selects Engholm as chairman

GERMANY'S opposition Social Democratic Party last night chose Mr Björn Engholm, the 51-year old prime minister of the northern state of Schleswig-Holstein, as its new chairman to repair the damage caused by the SPD's heavy defeat in this month's general election, writes Andrew Fisher in Frankfurt.

This followed the refusal of Mr Oskar Lafontaine to accept the post after his heavy defeat at the polls. The SPD was left in a dilemma, since Mr Hans-Jochen Vogel, the present party chairman, had signalled his intention of standing down in May. Mr Engholm had already said he would take the SPD chairmanship if it was offered to him, though making clear it was not a position he was actively seeking.

Mr Engholm, a former education minister will have a hard task to to overcome the confusion in the SPD ranks after the election rout.

# Italian unions to strike for cut in working hours

**By John Wyles in Rome**

ITALIAN union leaders have called a four-hour general strike on December 20 in all sectors of the economy, except the health and transport services, to try to win a cut in working hours in the engineering industry.

The clash highlights the gulf between employers and unions over how to respond to rising labour costs and declining trade competitiveness. Engineering employers claim they can expect little relief from lira devaluations following the currency's move last January from its 6 per cent margin of fluctuation in the EMS exchange rate mechanism to the 2.25 per cent band.

Engineering employers are likely to come under growing political pressure to concede the modest 16 hours a year cut in working time over four years which Mr Carlo Donat Cattin, the labour minister, has recommended. His mediation proposal also included L250,000 (£115) a month pay rises over three years and a lump sum payment of L840,000. Employers have accepted the pay proposals.

For their part, the employers may be trying to involve ministers in an exercise to bring forward negotiations with the government and unions on pay bargaining reforms which are due to start next June.

For the moment, the unions are refusing to take part because of the engineering dispute. Confindustria, the industrialists' organisation, is concerned that they could be long delayed if, as seems likely, an election is called next summer.

Merloni, Italy's largest national domestic appliances manufacturer, yesterday broke ranks by announcing that it was going to pay its 2,000 engineers a L1m lump sum because of the delay in making a new national agreement.

# Milosevic set to take power after Serbian election

**By Laura Silber in Belgrade**

SERBIA'S ruling Socialist party (SPS), led by Mr Slobodan Milosevic, looked set on being swept into power following the first multi-party elections to be held in Yugoslavia's biggest republic for over 50 years.

The Socialist party, which under its former guise as the Communist party which ruled both Serbia and Yugoslavia since the Second World War, is expected to win both the presidential and parliamentary elections.

According to early returns from the first round of the elections which were held on Sunday, the SPS won nearly 80 out of 250 seats in Serbia's parliament.

Initial results for the post of president of Serbia, also showed that Mr Slobodan Milosevic, the current president, was leading by a substantial margin Mr Vuk Draskovic, head of nationalist Movement for Serbian Renewal, and his strongest challenger.

Mr Milosevic seems certain to gain the 50 per cent needed to prevent a second round of voting.

Mr Milosevic's victory casts doubt over the possibility of future negotiations with the western republics of Croatia and Slovenia over what kind of political structure under which the newly elected governments of the republics should live.

Support for Mr Draskovic and his nationalist right-wing party, which has grown over the past month, may have collapsed because of widespread fears of a military coup.

The Yugoslav Army unambiguously stated that the armed forces supports a federal and socialist Yugoslavia.

The SPS, which tightly controls Serbia's media, have claimed themselves to be the only party which can guarantee Serbia's 6.8 million voters a "secure future". Opposition candidates throughout the election campaign have protested the ruling party's monopoly on the media.

The SPS has postponed a series of proposed reforms which are needed to overhaul the republic's economy. Workers in the biggest factories have recently received pay rises, which is in contradiction to the reform program of Mr Ante Markovic, the Yugoslav prime minister.

Ruling Communists were also set for a landslide victory in elections held on Sunday in Montenegro, the smallest republic according to early returns. Montenegro's communist party, under Mr Momir Bulatovic, backs Serbia's leadership.

The final election results, which are expected on Tuesday evening, are likely to harden the resolve of the western republics to gain greater independence from the Yugoslav federation.

Slovenia, has called a referendum on independence for December 23, the same day of the second round of Serbian elections.

● THE MIDDLE EAST

# Algeria emerges as new mediator

By Tony Walker in Cairo

ALGERIA has emerged as a possible key to the peaceful resolution of the Gulf crisis by offering itself as a mediator in complex inter-Arab discussions aimed at achieving a settlement. Mr Chadli Benjedid, Algeria's president, is expected to visit Jordan, Iraq and Saudi Arabia this week in an effort to help fashion a diplomatic solution.

The emergence of Algeria as a neutral player in the crisis has been long expected, and corresponds with a role the Algerians have played many times in the past as conciliators in inter-Arab disputes. Mr Benjedid said in an interview with the Algerian news agency, APS, that the situation in the Gulf was "very complex and dangerous, but we are not discouraged that reason and dialogue will prevail".

Significantly, the Algerian leader has met a personal envoy of King Fahd of Saudi Arabia twice in the past week. He has also received Kuwaiti and Iraqi officials on a number of occasions since the Gulf crisis erupted on August 2. News that Mr Benjedid will embark on a mediating mission in the Gulf this week coincides with reports of behind-the-scenes discussions on a possible compromise that would enable Iraq to retain part of the disputed Rumaila oilfield on its border with Kuwait and Warba and Bubiyan, two islands which would provide Iraq with easy access to the Gulf.

These reports have been vigorously denied by Saudi, Kuwaiti and Iraqi representatives.

In Baghdad, Mr Latif Jassim, Iraq's information minister, yesterday sought to emphasise to western countries that the release of their nationals held hostage implied no weakening of its resolve to retain Kuwait.

He said: "Kuwait is Iraqi – past, present and future – and not an inch of it will be given up."

"If the United States chooses the path of confrontation to solve problems," he added in a typically bellicose manner, "Iraq together with Arabs and Moslems, can inflict a grand defeat on it and its allies."

# Hostages 'one less worry' for Bush

By Peter Riddell, US Editor, in Washington

ALTHOUGH the release of American and other foreign hostages by Iraq has been widely welcomed, President George Bush has ensured that their fate does not determine his Gulf policy, a view shared in Congress even by his critics.

Mr Dick Cheney, the defence secretary, said yesterday that while the hostage release was "obviously very good news" for those involved, it did not mean that Iraq was backing away from its armed occupation of Kuwait and should not raise hopes for a peaceful solution.

Mr Bush has even gone as far as to say that the release of the hostages simplifies any military decisions. "When every single American is out of Kuwait, we will clear the decks. I think you can make the case that this facilitates the tough decisions that might lie ahead. When you don't have Americans there, and if force is required, that's just one less worry I've got."

Over the past few days, senior administration officials have been at pains to deny that any deal is in the works. Mr Robert Gates, the deputy national security adviser, stressed that there were "absolutely no negotiations".

He underlined what he called "the administration's primary concern" that an impression might be given of linkage between the Gulf crisis and the Arab/Israeli conflict, which is why the US has been seeking to remove or tone down any UN reference to a Middle East peace conference.

Mr James Baker, secretary of state, has recently been stressing the related themes of maintaining the credibility of the war option, ensuring that aggression is not seen to be rewarded and signalling the possibility of talks between Iraq and Kuwait over disputed territories after a withdrawal.

He has promised that the US and others in the multinational force would stay "to make certain there is order and security during the time it might take for any discussions to be completed" and would permit "Kuwait to negotiate on a much more balanced basis".

The Bush administration has been concerned about other moves which might undermine the military option, such as a possible partial withdrawal from Kuwait which was denied by Iraq yesterday.

Such an action might increase existing doubts in the US Congress and among the American public about the wisdom of early action rather than persevering with sanctions.

Mr Harvey May, who worked for the United Bank of Kuwait before the Iraqi invasion, hugs his wife, Barbara, and 12-year-old son, David, at London's Heathrow airport early yesterday

## Israeli tourist earnings plunge

By Hugh Carnegy in Jerusalem

THE NUMBER of visitors to Israel in November was less than half that in the same period last year as the Gulf crisis continued to wreak havoc with the important tourism industry.

One effect has been a serious loss of revenue at El Al, the state-owned airline, which says passenger traffic is down by about 50 per cent on this time last year. The company is predicting little better than break-even this year after $24.2m profits in 1989 and the government has been forced to put on hold plans to float 51 per cent of the airline on local and foreign stock exchanges.

Tourist arrivals last month totalled 34,700, down from 89,000 the previous November. This followed a 21 per cent year-on-year drop in September and a 35 per cent fall in October. Tourism last year earned $1.8bn in foreign exchange, compared to industrial exports of $7bn.

# Kuwait claims $64bn for Iraqi damage and debt

By Tony Walker, recently in Taif

KUWAIT says it is owed $64bn (£33.3bn) by Iraq for stolen property, unpaid debts and damage caused by the August 2 invasion.

According to Dr Abdel Rahman al-Awadi, Kuwait's minister of cabinet affairs, studies by the exiled Kuwaiti government show there were grounds for massive war reparation claims that far exceeded previous figures mentioned.

Interviewed at the exiled government headquarters in Taif, near Jeddah, Dr Awadi said that Kuwaiti officials had been making inventories of looted items that included Kuwait's entire 18-month stockpile of food and medicines, and also of the damage to property inflicted by the invasion force.

The Kuwaiti officials said that the value of stolen spare parts and supplies of special additives for Kuwait's refineries amounted to $500m alone.

Dr Awadi, a medical practitioner and a former health minister, said that equipment removed from Kuwait's 12 hospitals would cost some $2bn to replace.

He said that Iraq also owed Kuwait $14bn in debts left over from the Gulf war. Efforts would be made to secure repayment if and when the crisis ended.

Dr Awadi said the exiled government had also formed committees to prepare the restoration of essential services on returning to Kuwait, such as water, electricity and communications.

"Our main concern," he said, "is to bring Kuwait back to normal life. For that we have a three-month emergency plan, a six-month plan and an annual rolling plan".

He estimated that there were about 300,000 Kuwaitis out of a total population of 760,000 still left in the country. An equal number of Palestinians were also there.

## Japan urged to 'share the risks'

By Stefan Wagstyl in Tokyo

JAPAN was urged yesterday to send men as well as money to the Middle East to show its willingness to share the risks of the Gulf crisis.

Mr Michael Armacost, the US ambassador in Tokyo, said in a speech that the US still regarded "a Japanese physical presence in the Gulf as an important demonstration of its willingness to share the risks of responding to Saddam's aggression".

Choosing his words carefully, Mr Armacost said he did not mean to express any discontent about Japan's contribution to the US-led forces in the Gulf. It was for Japan to decide what further contribution it would make, said Mr Armacost, speaking on the opening day of a new session of the Diet (parliament), which has the Gulf crisis high on its agenda.

He pointed out: "Impressions forged in a major international crisis like this one tend to have a durable effect."

Western European Union keeps up the pressure on Saddam

# Allies boost Gulf co-operation

By Ian Davidson in Paris

EUROPEAN foreign and defence ministers are to hold an extraordinary meeting to review the Gulf crisis on January 17, two days after the expiry of the United Nations deadline for Iraq to withdraw from Kuwait.

The decision was announced yesterday by Mr Roland Dumas, French foreign minister, after a meeting of the nine-nation Western European Union (WEU) which reaffirmed European insistence that Iraq must unconditionally withdraw from Kuwait.

Mr Dumas told the meeting that Iraq had a "last chance of a peaceful solution". He insisted on the "total determination" of the international community to enforce respect for the law, "if need be through the use of force". Since the start of the Gulf crisis, WEU countries have been co-operating closely in the enforcement of the naval embargo against Iraq.

Yesterday ministers decided to strengthen their co-operation, either in the naval embargo, or in the air and ground forces deployed by some of them in the Gulf.

Mr Douglas Hurd, British foreign secretary, said afterwards: "There is no weakness here. All the member states are clear that Saddam Hussein must comply with all UN Security Council resolutions."

He said that President Saddam's decision to release the foreign hostages was welcome, but that it did not alter the other UN requirements.

Mr Tom King, British defence secretary, said that he had asked for extra logistical, transport or medical help from those WEU countries which do not have ground forces in the Gulf, to strengthen the capability of Britain's 35,000-strong force.

He pointed out that there was a chemical weapon detection team from Czechoslovakia, which was not even a member of Nato. He spoke of "a disproportion between the European efforts and the American effort in the Gulf". Saddam Hussein would be "mad" if he did not take seriously the threat of the use of force.

● France has agreed to reinforce its troops in the Gulf and will announce the details shortly, according to Mr Jean-Pierre Chevènement, defence minister.

WEU's role, Page 3

## Aquino's deputy sacked over oil prices

By Greg Hutchinson in Manila

PRESIDENT Corazon Aquino, in the first phase of a promised cabinet reshuffle, yesterday replaced Mr Catalino Macaraig, her deputy in the cabinet who was also the government's energy co-ordinator.

This came as the Philippines retreated on increases in the retail cost of petrol, running counter to world trends and International Monetary Fund advice to set realistic domestic oil prices.

The government's Energy Regulatory Board, which last week had announced a two-stage increase in petrol prices totalling more than 130 per cent, yesterday cut the cost by more than a quarter to leave premium petrol at pesos 15.95 (29p) a litre. Mr Macaraig's role in setting oil price policy in the past week hastened his demise. Many in and out of government had believed his performance as executive secretary, the title given to the president's cabinet deputy, had been lacklustre.

His replacement is Mr Oscar Orbos, 40, the transport and communications secretary, who Mrs Aquino is believed to be grooming as her favoured successor within 18 months when elections are scheduled. Further cabinet changes are expected with two weeks.

The latest oil price rises led to strikes in Manila and Cebu, the country's second city. Several thousand workers took to the streets in protest, but industry and public transport was little affected. Schools were closed.

Office workers in Makati, the country's main financial district, staged an anti-government confetti parade featuring calls for Mrs Aquino's resignation. At a Manila university, meanwhile, gunmen fired on workers at a labour convention, killing two union leaders and wounding another. Against this backdrop of discontent, rumours again swept the capital of a possible coup attempt.

There have been seven military rebellions in Mrs Aquino's 4½ years in power.

● The central bank said yesterday that foreign investment dropped 71.9 per cent to $79m (£41m) during the third quarter, down from $282m a year ago, AP-DJ adds.

## IDA plan for Sri Lanka

By Mervyn De Silva in Colombo

THE INTERNATIONAL Development Agency, the World Bank affiliate, is to assist a Sri Lankan programme for the full or partial privatisation of several commercial enterprises by providing a $120m (£62.5m) loan.

The programme includes state corporations that manufacture consumer goods for the local or overseas market, such as textiles, shoes and leather goods, and ceramics. Increased production after planned reforms is likely to bring additional revenues of $100m, according to an Industry Ministry official.

He said that so far 14 enterprises have been identified for privatisation or "commercialisation". In each case a percentage of the shares would be offered to employees, but there would also be a voluntary redundancy package.

The official argued that under the previous socialist administration companies were set up to provide employment, while the sole consideration now was to convert these into profitable ventures.

## Discussions on Hong Kong

By Angus Foster in Hong Kong

BRITISH and Chinese diplomats today begin four days of detailed talks on issues covering Hong Kong's return to Chinese sovereignty in 1997.

The Sino-British Joint Liaison Group, overseeing the transfer, is expected to discuss Hong Kong's recently drafted Bill of Rights and the future use of defence land in the colony. Despite improving relations between China and the UK, both of these issues are likely to remain subjects of disagreement between the two sides.

But the group may make progress on proposals to establish a new court of final appeal in Hong Kong, to replace the Privy Council in the UK, before 1997.

Legal experts from the two sides met last week and passed on recommendations to the group. Diplomats in Hong Kong said one important barrier remains to be cleared, although they would not discuss the nature of the hold-up.

# Stock exchange privatisation heads Jakarta's list of reforms

By Paul Taylor, Asia Business Correspondent

INDONESIA'S government-run Jakarta Stock Exchange will be privatised at the start of next year as part of a radical reform package announced last week by the Finance Ministry.

The package, designed primarily to improve efficiency, boost competition and broaden share ownership, also includes measures to restrict bank securities activities, allow brokers to set up investment funds and tighten market supervision.

For the first time insider trading will be illegal, with unspecified criminal sanctions for those trading on privileged information. The ministry said capital requirements for underwriters and stockbrokers will be significantly higher on the new exchange, with foreign joint venture firms having to put up more capital than local brokers.

Paid-up capital requirements for stockbrokers, previously Rp25m (£6,790) for all groups, will be increased 20-fold to Rp500m for local brokers and Rp1bn for joint-venture brokers. Joint-venture underwriters will have to put up Rp10bn, double the previous figure, and local underwriters Rp5bn instead of Rp2bn. The initial reaction to the package was positive, with brokers saying that bureaucracy should be reduced, allowing rapid computerisation of haphazard trading systems, one of the main weaknesses of Jakarta.

However, brokers also said there is a danger that the new rules will put several of the smaller local firms out of business.

Prices in Jakarta moved higher on the proposals after languishing in the doldrums for months in the wake of the Middle East crisis which saw the index fall by more than 30 per cent. The big boost to market sentiment was the new rule that throws open the door to investment funds for private fund managers.

Until now, only unit trusts managed by Danareksa, the state-owned underwriter, have been available to the Indonesian public. Beginning next year private firms can set up funds with a fixed capital structure, listing their shares on the floor of the bourse.

Under the Finance Ministry package, banks and other financial institutions will no longer be allowed to trade on the exchange, and will have to set up stockbroking subsidiaries within a year. At the same time Bapepam, the government capital markets agency, criticised in the past for neglecting control in favour of promotion, will confine itself to supervision, the ministry said. "The policy is needed to abolish the double role of Bapepam at once as management and referee," a statement said.

In future Bapepam will issue licences to underwriters, brokerage houses and investment advisers, while permits for stock markets, clearing houses and investment funds will be issued by the Finance Ministry itself.

## Famine affects 10m in Africa

By Michael Holman, Africa Editor

DROUGHT and civil war in Ethiopia and Sudan have left as many as 10m people in urgent need of food, two aid agencies reported yesterday.

About 2.5m people in the Ethiopian province of Eritrea "are at increasing risk of death from hunger and thirst", according to the British aid organisation, Oxfam, while around half of the 4.5m population of the neighbouring province of Tigray "will need varying amounts of food assistance" until the next harvest in November.

The crisis in Sudan was highlighted yesterday by the UN's Food and Agriculture Organisation (FAO), which appealed for up to 1.3m tonnes of food aid for the country in 1991. "A major and immediate relief effort is required to avert large-scale food shortages and human suffering in the coming months," an FAO statement said. This latest report confirms an October FAO estimate that at least 5m people risked death through starvation.

# Jubilation in Bangladesh gives way to uncertainty

Student extremism or military intervention could crush a fragile democracy, reports **David Housego**

BANGLADESH seems these days like a country waking up to the uncertainties of the morning after.

In the aftermath of the euphoria and the tumultuous street demonstrations that last week swept President Hossain Mohammad Ershad from power have come the worries about the fragility of an embryonic democracy vulnerable to both student extremism and military intervention.

"After 15 years [of almost uninterrupted military rule] our country has a chance to bring back democracy," says Sheikh Hasina, the leader of the Awami League, one of the main opposition alliances. "So we should act very cautiously."

Dhaka, the capital, and the other big cities experienced eight days of mass student-led demonstrations followed by two days of jubilation – an event that largely went unreported abroad because foreign journalists were banned from the country.

Bangladeshis believe the "mass upsurge" was almost unprecedented in their brief history – and a part of global trends that have dislodged autocratic governments in nearby Nepal as well as in more distant eastern Europe.

Political leaders give credit to the students for imposing a unity on the feuding political parties opposed to Gen Ershad that they failed to achieve themselves. "The mobilisation of the student movement created confidence" among the political parties that Gen Ershad could be forced out,

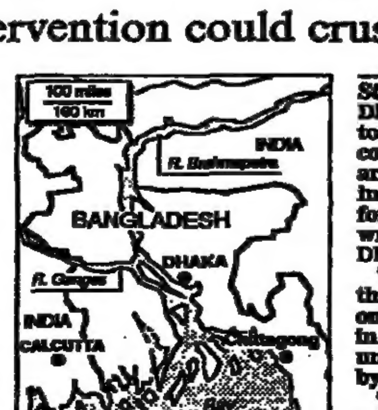
Ahmed: holding the ring

says Mr Kamal Hossain, a former foreign minister.

But the students now have a self-appointed role of being a watchdog for democracy that unnerves the politicians. "The students' first goal was to bring down Gen Ershad. But the real goal is to restore a multi-party system and democracy", says Khairul Kabir Khokon, general-secretary of the Dhaka Students Federation.

Two essential steps that he sees on that path are bringing Gen Ershad to trial and banning his Jatiya Party.

Other ominous signs that the students could back a witch hunt against Gen Ershad and his supporters are that they have begun to distribute lists of former ministers, senior officers, associates and friends who should be arrested. Against the names of those on the "wanted" list are often crude denunciations like "prostitute", "gold smuggler" and "pimp."




In the wings of the student movement are the Marxists and revolutionary groups who have exploited disorder in the past. The student leaders are themselves apprehensive that they will try to take advantage of the situation through further violence.

The victory of the students has been a humiliation for the army – demonstrating how difficult it has become in Bangladesh as elsewhere for military commanders to call on troops to suppress a popular movement. But as the removal of senior commanders loyal to the former president has confirmed, the army remains deeply split over what action should be taken against Gen Ershad and is unhappy at holding him virtual captive in the Dhaka military compound. There is still a possibility that units loyal to Gen Ershad could stage a revolt in his support.

Politicians say the army must now revert to its constitutional role and "return to barracks". But the more astute realise that they will have to reach some accommodation with the armed forces – as Prime Minister Benazir Bhutto did in Pakistan. Mrs Khaleda Zia, the leader of the Bangladesh National Party (BNP), the other main opposition alliance, is herself the widow of a general who seized power to become president.

None the less, finding common ground between the army and the students will not be easy. Senior officers will be wary of any trials which scrutinise their close involvement in business and contracts.

The army also wants to minimise their loss of lucrative privileges and patronage. Former officers occupy almost three-quarters of the posts of chairman of public sector corporations and many of the top diplomatic jobs.

Attempting to hold the ring between these two antagonists is a weak, caretaker administration under Mr Shahabuddin Ahmed. Mr Ahmed, a slight figure with a brush moustache, is a former civil servant and chief justice.

His newly appointed advisers have been chosen for their honesty – but also for their lack of political ambition. The caretaker government's main task is to prepare the country for general elections to be held within three months. Once campaigning starts, the sharp differences between the two main political alliances could polarise opinion further.

Sheikh Hasini, daughter of Sheikh Mujib, who was the founder of Bangladesh, and Mrs Khaleda Zia, the wife of President Ershad's predecessor, could not be more different and openly detest each other. Sheikh Hasini holds former President Zia responsible for the assassination of her father.

The two alliances represent different strands in Bangladesh's history which touch to the core the country's uncertainty about its national identity. The Awami League has stood firm behind its secularist philosophy – non-Moslems account for 10 per cent of the population – and back close ties with India. It also has a strong socialist past. Though Sheikh Hasina now says she would be more pragmatic and that she favours limited privatisation.

The BNP is a more aggressively pro-Moslem alliance and is suspicious of India's influence. Mrs Zia, a shrewd lady who nurses a cosy middle-class image, speaks in vague terms of encouraging liberalisation, foreign investment and more privatisation.

Gen Ershad always believed that he would survive because of the divisions among the opposition and because he thought he had won popularity in the villages through health, education and road projects. The sin for which he was never forgiven by the students was that as an army commander he seized power by force in 1982. He attempted to give himself legitimacy by elections that the opposition parties boycotted or denounced as rigged.

But what really turned opinion against him was his government's growing reputation for corruption and his own ostentatious style of living and travelling abroad.

**Student organisations in Dhaka last night appeared to be heading for a direct confrontation with the armed forces by announcing plans to seize former president Ershad, writes David Housego in Dhaka.**

**The students said that they would march tomorrow on the military compound in Dhaka where he is living unless he had been arrested by them.**

**The declaration came on a day in which further signs emerged of the restlessness among units loyal to Gen Ershad at the way he was being treated.**

**Fears that these units might rebel appeared to lie behind an unprecedented decision to cancel the armed forces participation in ceremonies on Sunday to celebrate the anniversary of Bangladesh's liberation.**

**The students' decision to take the law into their own hands by seizing Gen Ershad comes amid mounting pressure for his arrest and that of his supporters.**

## US, Pakistan to debate aid halt

By Farhan Bokhari in Islamabad

DR HENRY ROWEN, the US assistant secretary of defence for international security, is due to arrive in Islamabad on Thursday for talks which diplomats expect to cover Washington's recent suspension of $564m (£293.7m) in aid.

The halt in assistance followed an increasing lack of conviction in the US administration and Congress that Pakistan's nuclear programme was intended entirely for peaceful purposes.

The visit takes place at a time when Pakistani leaders are increasingly taking a nationalistic line, arguing that they will not compromise national interests in seeking foreign assistance. Western diplomats say that positions on both sides have apparently hardened since the aid suspension on October 1.

Pakistani politicians and public representatives have regarded the suspension as an attempt to single out Pakistan, claiming that Israel, India and South Africa have been freer to pursue their nuclear programmes.

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## AMERICAN NEWS

# Venezuela plans $25bn boost for state oil group

By Joe Mann in Caracas

VENEZUELA'S national oil company, Petroleos de Venezuela (PDVSA), will invest $25bn (£12.8bn) between 1991 and 1996 in its biggest development programme.

About $10.5bn of the outlay will go to exploration and production, $6bn is to be invested in oil refining, $6bn in petrochemicals, $1.5bn in coal and $800m in domestic market activities, according to PDVSA sources.

Some 40 per cent of the amount will be spent on imported equipment, materials and services. PDVSA, which had earnings of $2.1bn in 1989 and is expected to post strong earnings this year, will finance most of the investment programme from its cash flow.

However, its petrochemical plant will require about $3.4bn from private-sector equity partners and other sources, such as supplier credits. For the first time the company is seeking foreign investors in the exploration and production sector.

Under the programme PDVSA will increase its crude oil production capacity to more than 3.6m barrels a day, raise refining capacity by 600,000 b/d, more than triple petrochemical production capacity to 14m tonnes per year and raise coal output.

To reach its targets in the refining sector, PDVSA plans to build a new domestic refinery, add capacity to existing plant, and acquire additional capacity by investing in at least one foreign refining and distribution company. It already has equity holdings in oil companies in the US, Germany and Sweden.

Venezuela and a few Middle East countries are the only oil producers that can make a significant and sustained increase in crude oil production and exports over the long term without incurring excessively high costs. PDVSA executives are moving to position the company so it can obtain greater market share in the US and Europe.

PDVSA now produces about 2.3m b/d of crude oil and exports nearly 2m b/d of crude and refined products. Exports this year will total about $12.6bn, a 19 per cent increase over 1989.

*Opec looks beyond Gulf crisis, Page 30*

# Bush to unveil extensive bank reform proposals

By Peter Riddell, US Editor, in Washington

SWEEPING proposals for US banking reform will be included in President George Bush's State of the Union address at the end of January.

Plans are likely to be detailed in an accompanying Treasury paper, which has been previewed by Mr Nicholas Brady, US Treasury secretary.

Mr Marlin Fitzwater, White House spokesman, said yesterday there would be a "major reform, since the banking system needs to be examined very closely. It is weak in many areas and we believe we need to look at it from the total reform standpoint".

Legislation would be a priority in the next congressional session, he added.

The proposals, the most far-reaching since the 1930s, would remove some restrictions on what banks can do – the Glass/Steagall barriers between investment and commercial banking and limits on inter-state branches – while linking the level of regulation and deposit insurance premiums to the financial health of institutions.

The $100,000 federal guarantee on deposits will be retained, but the extent of protection and taxpayers' liability will otherwise be limited.

There is general congressional support for changes in the deposit insurance premium, but there is no consensus on other changes which might threaten the independence of small and regional banks.

# Low turnout undermines Colombian election

By Sarita Kendall in Bogotá

THE legitimacy of Colombia's constitutional assembly has been seriously undermined by the low turnout in Sunday's election.

Fewer than 4m Colombians – about 25 per cent of the electorate – voted for assembly candidates, compared with 8.3m who elected Congress earlier this year.

M-19, the former guerrilla movement, won nearly 27 per cent of the votes in the poll, almost equalling the governing Liberal party's vote, and is expected to have 19 of the 70 assembly seats.

The composition of the assembly, which must update the country's constitution, makes it likely the extradition of nationals will be banned, and that the question of political status and a pardon for drug traffickers will be discussed.

The issues are part of M-19's platform and have the support of some Liberals and Conservatives.

Although President César Gaviria called the election an example of democratic strength, pluralism and tolerance, former presidents and elder statesmen were dismayed by the abstention rate.

They believed this could mean putting constitutional reforms to yet another vote next year, at the end of the assembly's five-month sitting, or could lead Congress to resist clauses affecting its power.

During voting on Sunday the Colombian military bombed the jungle headquarters of the country's strongest guerrilla army, the old-style communist Revolutionary Armed Forces of Colombia (FARC).

Repeated peace initiatives by the government had failed to draw FARC rebels from the hills to join the constitutional assembly.

Unlike M-19, the Patriotic Union party, created to channel FARC guerrillas into democratic politics, never made electoral headway. More than 1,000 Patriotic Union political activists, including the party's two presidential candidates, have been assassinated in the last five years.

# US food credit quandary nears resolution

PRESIDENT George Bush is widely expected this week to do both himself and Soviet President Mikhail Gorbachev a favour by issuing a waiver of the Jackson-Vanik Amendment, clearing the way for up to $1.25bn (£641m) US food credits to the Soviet Union, writes Nancy Dunne in Washington.

Mr Bush is under pressure from farm groups and Capitol Hill to act swiftly. The Soviet Union has been refusing to buy US grain without credits, triggering politically damaging charges that the president has imposed a de facto grain embargo.

It is unclear, however, how far Mr Bush will go to help his new allies in Moscow.

If he satisfies the farmers – who want "trade not aid" – he will cause an uproar in Congress over his failure to forge closer trade ties overall and to take the lead in assisting the Soviet Union.

House Democrats urged him last week to send food, medicine and technical aid to ease food shortages in the country.

Mr Bush's waiver of the Jackson-Vanik Amendment, which ties favourable trade treatment and financing with emigration policy, could come during this week's visit to the US by Mr Eduard Shevardnadze, Soviet foreign minister. The decision has been delayed by the president's insistence that the Supreme Soviet first codify a free-emigration law.

A congressional official said efforts were under way to help the president "out of the corner he painted himself into" in insisting on codification. One way out, he said, would be for Mr Gorbachev to issue a statement of support for "free and fair" immigration.

Mr Bush has several options. He can offer trade financing from the Commodity Credit Corporation and the US Export-Import Bank (Eximbank), or he can submit to Congress a trade treaty, signed last spring with Mr Gorbachev, which would grant Moscow long-awaited most favoured nation trade preferences.

Agriculture Department officials, testifying at a congressional hearing, suggested the Soviet Union could qualify for as much as $1.25bn in guarantees. With the waiving of Jackson-Vanik, they could get up to $300m in trade financing from Eximbank. Billions more in guarantees – financing the sale of manufactured goods – could be forthcoming once other legal barriers were removed.

US business groups have been pushing for the waiver without codification. Increasingly they have been reporting concern among east European governments that they would be swamped with job-seeking immigrants if the Soviet law was codified.

Mr Donald Kendall, chairman of the American committee on US-Soviet relations and chairman of Pepsico, warned the president last week that the US was losing ground to competitors intent on establishing themselves "as suppliers of vital goods to the beleaguered Soviet people".

# Oil and Indian rights form a volatile mix in Ecuador


THE Waorani Indians, a small semi-nomadic tribe surviving off the products of the Amazon rain forests, live slap in the path of Ecuador's oil exploration programme and Ecuador derives half its export income from oil.

Other Indian groups – better organised, larger in numbers and more vociferous – are also on the oil map; but their long-standing exposure to Ecuadorian society is, in this case, an advantage.

For the few hundred Waorani, sudden intense contact would mean virtual annihilation. So much so that international oil companies, anthropologists, Indian federations, ecologists and even government officials have made "saving the Waorani" the key test of environmental commitment and use them shamelessly as campaign fodder. Only three years ago, the last uncontacted group of Waorani speared two missionaries.

Two decades of oil development have left the northern part of Ecuador's Amazon region criss-crossed by roads, pipelines and contaminated streams. Lumber trucks and colonists from the Andean highlands followed close behind the oil companies.

The pressure to increase oil earnings also encouraged short cuts, slipshod controls and bad maintenance. A spill last year left a film of oil on the lakes in the Cuyabena national park and dead fish in the rivers.

"The past is our heaviest burden – the recuperation process will be long but new operations will be properly planned. There is the political decision and there are resources for this work", said Manuel Navarro, who is in charge of the state oil company's environmental unit.

The shift in policy, largely due to international publicity about the plight of the Waorani and to the rain forest movement, is reflected in a detailed agreement on environmental management signed by oil companies and Ecuador's energy minister. Ecologists are doubtful about the government's change of attitude. Several groups launched the "Amazon for Life" campaign, enacting oil dramas outside the presidential palace and in other strategic spots. They demand a 10-year moratorium on oil, mineral and other activities in Waorani territory and in all national parks.

**But separating the two is not easy in the remote Amazon region, writes Sarita Kendall**

An attempt to persuade Ecuador's constitutional court to rule against oil exploration in parks has foundered because of high-level pressure on the court.

The company with most at stake is Conoco, which discovered oil on the borders of the 612,000-hectare Waorani reserve and the Yasuni national park and awaits the go-ahead to develop the field. Although the crude is heavy, it can be blended with lighter oil and pumped through the trans-Andean pipeline to the coast once the pumping stations have been upgraded.

The extra 40,000-50,000 bpd is significant for Ecuadorian production as reserves in the main Petroecuador-Texaco oilfield are dropping fast.

Conoco's development plans include special measures to protect the Waorani – vaccination and health programmes are essential – and reduce environmental effects: the 132km road running north to the River Napo will only have a 20m wide right of way, instead of the normal 100m and will be made from synthetic material.

Deforestation will be kept to a minimum by drilling one well with various branches instead of several vertical wells and by centralising production facilities.

An anthropologist who speaks the Wao language has visited several families and been told the road is acceptable provided there is no hunting, fishing or farming in Waorani territory.

An army control post, park rangers and a private security force will be responsible for keeping new settlers out and colonists will not be able to get title deeds. However, other Indians point out that the Waorani do not understand their own situation and that, no matter the kind of road, settlers will flood along it.

Many of Ecuador's 100,000 Amazon Indians have been pushed off their traditional land in recent years and the government can only break the oil-road-colonisation sequence by granting legal title to Indian communities.

About 80 per cent of the well-organised Shuar Indians in the south already have titles and the Shuar Federation is prepared to negotiate on oil. But in the central Amazon, where the oil-Indian frontier now is, titles are fewer and positions more radical, with demand for sub-soil rights.

"We are talking to Indian communities to establish priorities and Petroecuador is pushing to solve the land problem," said Mr Navarro, who acknowledges that past handouts, such as the construction of a primary school or football pitch, were short-term paternalistic actions.

The fear that the Indian and ecology lobbies may discourage foreign investment seems doubtful.

One lawyer says oil companies are much more concerned about disappointing drilling results and desperately slow decision-making by the authorities. Only three bids were put in for the last lot of exploration blocks and contracts have not been finalised. Yet the government is already planning to offer another set of blocks in the hope of attracting more investment.

Oil contributed nearly 50 per cent of the country's fiscal income and some 12 per cent of GDP in 1989. Mr Diego Tamariz, the energy minister, calculates that the Gulf crisis will earn Ecuador an extra $240m (£125m) this year – about equivalent to the current level of foreign reserves. While this is a welcome bonus, it would cover only a fraction of the arrears on the foreign debt.

Few people suggest that Ecuador can afford to stop oil exploration, though many stress that longer-term development alternatives for the Amazon region must also be found.

"One of the most useful things the government can do is to give more land to highland peasants. Then there wouldn't be so much migration to the Amazon and the Waorani would have more time," said a Shuar Indian.

## WORLD TRADE NEWS

# India seeks Third World strategy on trade issues

By K.K. Sharma in New Delhi

INDIA IS to host a conference of Third World countries before the next ministerial meeting in the Uruguay Round to enable them to evolve a common strategy on trade and trade-related issues.

Dr S. Swamy, India's new minister of commerce, said on his return from last week's abortive talks in Brussels that the previous government of Mr V.P. Singh had failed to give a lead to developing countries on these issues.

The minister also blamed the Singh government for compromising on such issues as intellectual property rights and patents, and declared his determination not to give in to the industrialised countries on these questions.

"If they force an agreement on us, we can opt out of the Gatt system and go it alone," Dr Swamy said.

However, he hoped common ground would be found before the next ministerial-level talks, although he made clear that India wanted the issues to be dealt with outside the Gatt system under a separate organisation.

Dr Swamy said India was on the side of Washington on the question of reducing agricultural subsidies in Europe. This would lead to higher agricultural prices and enable India to increase its agricultural exports, something in which he saw an enormous potential.

He has invited Mrs Carla Hills, US trade representative, to visit India for talks.

The US last year placed India on its "hit list" under the "Super 301" clause of the Trade Act, and the minister was hopeful of arriving at an agreement on various Indo-US trade issues.

On the Brussels talks, Dr Swamy criticised the developed countries for reducing a multilateral conference on multilateral issues to a bilateral conference between the US and Europe on a single issue, that is, the question of agricultural subsidies.

In the process, he declared, the interests of the Third World had been ignored. However, this gave them the time to formulate a common strategy before the next ministerial talks.

# Major to meet Bush on trade

MR John Major, UK prime minister, will put the EC's latest thoughts on the world trade talks to President George Bush next week, officials said yesterday, Reuter reports. Mr Major will bring the views of other EC states on ways to break the impasse, after attending a conference in Rome on Friday.

The officials avoided saying that Mr Major would have a formal mediating role in Washington, but one said that "the timing will be felicitous for him to discuss what he learned" in the meetings with his EC colleagues.

Nancy Dunne adds from Washington: Mr Bush will move to revive the talks in contacts with other world leaders, according to Mr Marlin Fitzwater, the president's spokesman.

Mr Fitzwater said the outlook for saving the round is poor, but the Bush administration is "hopeful" that talks can be resumed once trade officials have consulted with their governments.



# Finland and Soviet Union to trade in hard currency

TRADE PAYMENTS between Finland and the Soviet Union will in principle be made in convertible currencies from the beginning of 1991, ending the barter-type clearing system, the Foreign Ministry said, Reuter reports from Helsinki.

Outstanding deliveries agreed under the current five-year bilateral trade framework agreement will continue for six months under the old system, Mr Timo Repo, general secretary of the Finnish-Soviet economic commission at the ministry said. Mr Repo said the biggest change would be that imports of oil and energy would be freed. State-controlled Neste is Finland's only importer of crude.

A foreign ministry statement said Mr Stepan Sitarjan, the Soivet deputy premier had confirmed that because of the reform of Soviet foreign trade there were insufficient grounds for satisfactory operation of the bilateral trade system or for gradual change in the system.

Finnish trade officials had been hoping for a transition period in the change-over to free currency trade.

Mr Repo said, "We have been negotiating about a transition period and we tried really hard to have such an agreement but it turned out to be impossible."

The idea was opposed by Soviet energy exporters, he said. Mr Kari Holopainen, head of the Bank of Finland's bilateral trade department, said the clearing account currently showed a Rbs200m surplus in favour of the Soviet Union.

Another so-called special account showed a surplus of Rbs60m in Finland's favour. All the debts should be cleared at the end of the six-month period, he said.

Finnish and Soviet officials would begin negotiating changes to the trade and payments agreements in Moscow on Tuesday, the Foreign Ministry statement said. Mr Repo said a new five-year framework trade agreement would be drawn up by the end of this year when the current one expires.

Mr Erkki Palmqvist, deputy head of the Trade and Industry Ministry's trade department, said: "The most powerful basis for argument that we should have this import licensing system concerning fossil fuels has been the bilateral trade system.

# Search for new financial services forum

By Peter Montagnon, World Trade Editor

US private-sector executives will look for an alternative forum for negotiating an international agreement to liberalise trade in financial services if the Uruguay Round of multilateral trade talks ends in failure.

US financial executives involved in the talks to open up markets for both banking and insurance say they have made considerable progress towards an agreement and are reluctant to jettison the work they have done.

Last week's ministerial meeting in Brussels saw the elaboration of draft proposals for financial services liberalisation by Canada, Sweden, Switzerland and Japan. They were welcomed, albeit with some reservations, by both the US and the European Community.

But completion depends on a successful outcome to the entire Uruguay Round, now in doubt after the world's trading nations failed last week to agree on reductions in farm subsidies. Last week's talks were adjourned indefinitely.

One possibility is that the Organisation for Economic Co-operation and Development could be called on to complete the agreement on financial services. Though the OECD groups only industrial countries, some advanced developing nations such as Mexico and South Korea have subscribed to its codes of practice in other sectors, notably steel and shipbuilding.

But the idea of using the OECD remains controversial. British lobbyists say it still would not allow a broad enough catchment of developing countries whose financial markets represent the largest commercial opportunities.

Other negotiators say they are hesitant about raising the matter formally while there is still a chance of saving the Uruguay Round. Though the Round has been seeking a broad agreement to open markets in a wide range of service industries, the financial sector has posed special problems because of the need to combine rules to liberalise trade, without limiting government freedoms in monetary policy and while retaining a body of rules to ensure stability in the financial system.

These twin objectives have previously put trade policymakers at odds with finance ministry and other officials responsible for regulating the financial services sector.

Last week's proposals go a long way towards overcoming this split. This is why support is growing for the idea of completing an agreement on financial services whatever the outcome of the Round.

# Hawke sees hope for farm trade compromise

By Kevin Brown in Sydney

ROOM still existed for compromise between the EC and the Australian-led Cairns Group of 14 agricultural exporting nations on farm trade liberalisation – the issue on which the Gatt talks foundered in Brussels last week, Mr Bob Hawke, Australian prime minister, said yesterday.

But in a "worst case scenario", Australia would have to consider other options, such as transforming the Asia Pacific Economic Co-operation (Apec) process into a trading bloc, or "some possible association with the US, Canada and Mexico."

Apec was launched by Mr Hawke last year to promote free trade in the Asia Pacific region within the Gatt framework. It brings together 12 countries including the US and the members of the Association of South-East Asian Nations (Asean).

The possibility that Apec might form the basis of a regional trading bloc has been mentioned several times by Australian ministers in the past few weeks.

Yesterday's speech reaffirmed Mr Hawke's comments last Friday that Australia might try to associate itself with the North American trade bloc which may emerge from talks between the US and Mexico, following an earlier agreement between the US and Canada.

Mr Hawke said the EC's intransigence raised the prospect of a global slide into regional trading blocs, accompanied by an increase in political and economic tensions.

"If Europe will sacrifice Gatt to protect agriculture, how can we fail to fear that Europe '92 will be Fortress '92 – a self-seeking and powerful trade bloc where it could and should be an outward-looking and constructive world leader," he said.

The Cairns Group and the US have put forward similar proposals for cuts of about 75 per cent in agricultural subsidies and export support. The EC has offered to cut internal subsidies by 30 per cent, but has made no commitment on export support.

# OECD adjusts minimum export credit interest rates

By Peter Montagnon, World Trade Editor

THE Organisation for Economic Co-operation and Development yesterday set new minimum interest rates for officially supported export credits.

The rates for the main currencies, set out below, are calculated with reference to government bond yields for the currency concerned, and are changed monthly.

From this month, they will be published regularly in the Financial Times on the second Tuesday or the second Friday of the month, whichever is sooner.

New rates announced yesterday, with the previous month's rate in brackets are:

D-Mark 10.10 per cent (10.09)
French franc 11.49 per cent (11.61)
Guilder 10.15 per cent (10.20)
Italian lira 12.69 per cent (12.58)
Yen 7.90 per cent (8.10)
Peseta 15.50 per cent (15.86)
Sterling 12.21 per cent (12.60)
Swiss franc, for credits of less than eight years 8.30 per cent (8.30); for credits of more than eight years 8.55 per cent (8.55)
US dollar, for credits of up to five years, 8.92 per cent (9.28); for credits of over five years 9.32 per cent (9.63).

The rates apply to all export credits except that on those to middle-income and poor developing countries, the OECD matrix rate may be used if it is lower. This is a standard set of rates changed twice a year, in July and January.

# NZ company to head oil hunt on mainland China

By Terry Hall in Wellington

PETROCORP Exploration, a subsidiary of New Zealand's Fletcher Challenge group, says it will head the first foreign consortium to be awarded an exploration licence on mainland China.

Petrocorp is to be the operator of the licence, with a 60 per cent share in a consortium which also includes two US exploration companies, Santa Fe Energy (25 per cent) and Nomeco (15 per cent). Petrocorp said an agreement, signed in Peking, gives the consortium the right to explore 15,900 sq km in central China.

A three-year exploration programme will include a seismic survey of the area and a minimum of two wells. Petrocorp Exploration's managing director, Mr Peter Patek, said the signing was "the culmination of many months' dialogue" with China National Oil Development Corporation (CNODC).

Under the agreement, CNODC has an option on up to 51 per cent interest in the development of any field, with the consortium retaining 49 per cent. The concession lies in the Dongting area of the East China Rift System, where reserves of 25bn barrels of oil are said to have been found. It is now producing over 2m barrels of oil a day, or about 80 per cent of China's production. No exploration has been undertaken in the Dongting area since 1981. Petrocorp is also exploring in Indonesia and Thailand.

# Nissan drops pact to make VW Passats in Japan

NISSAN Motor has cancelled an agreement to assemble Volkswagen Passat vehicles in Japan, after poor sales results for the imported version of the model, Robert Thomson reports from Tokyo.

The two companies had agreed that Nissan would assemble the vehicles from next summer at its Zama plant, near Tokyo, but Nissan has decided to use the production line for its own models.

Nissan has marketed fully-imported Passats since May this year, and had set an initial sales target of 700 units a month.

But average sales have only been 200 per month, well below the planned Japanese production figure of 1,000 per month.

A Nissan official said the Passat has apparently sold slowly because it is more than Y1m dearer than "Japanese models of the same class of car". Present sales levels do not justify assembly in Japan, though Nissan will continue to market the imported vehicles.

"Domestic demand for vehicles is still very strong, so we will use the line to produce one of our top-selling cars," the official said.

The Passat was chosen as a replacement for the VW Santana, which Nissan assembled here from 1983 until 1989. Both companies insisted yesterday the cancellation of the assembly agreement will not mark the end of their close links, and that technical exchanges will continue.

## Malaysia to buy Hawk fighters

Malaysia signed a Ringgit 2bn (£402m) agreement with British Aerospace yesterday, to buy 28 Hawk jet fighters, AP reports from Kuala Lumpur. The contract includes purchase of related equipment, ammunition, training, technical services and spare parts.

Under the agreement, the Malaysian government will buy 10 jets of the Hawk 100 series and 18 of the 200 series. The Hawks are the single largest purchase under the Ringgit 4.5 bn memorandum of understanding to buy military equipment signed between Malaysia and Britain two years ago.

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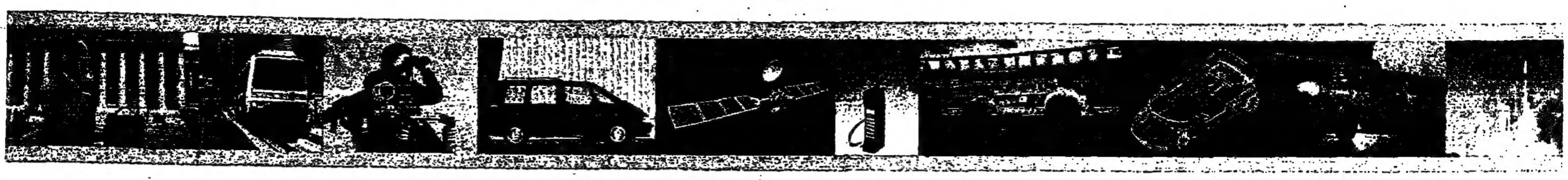

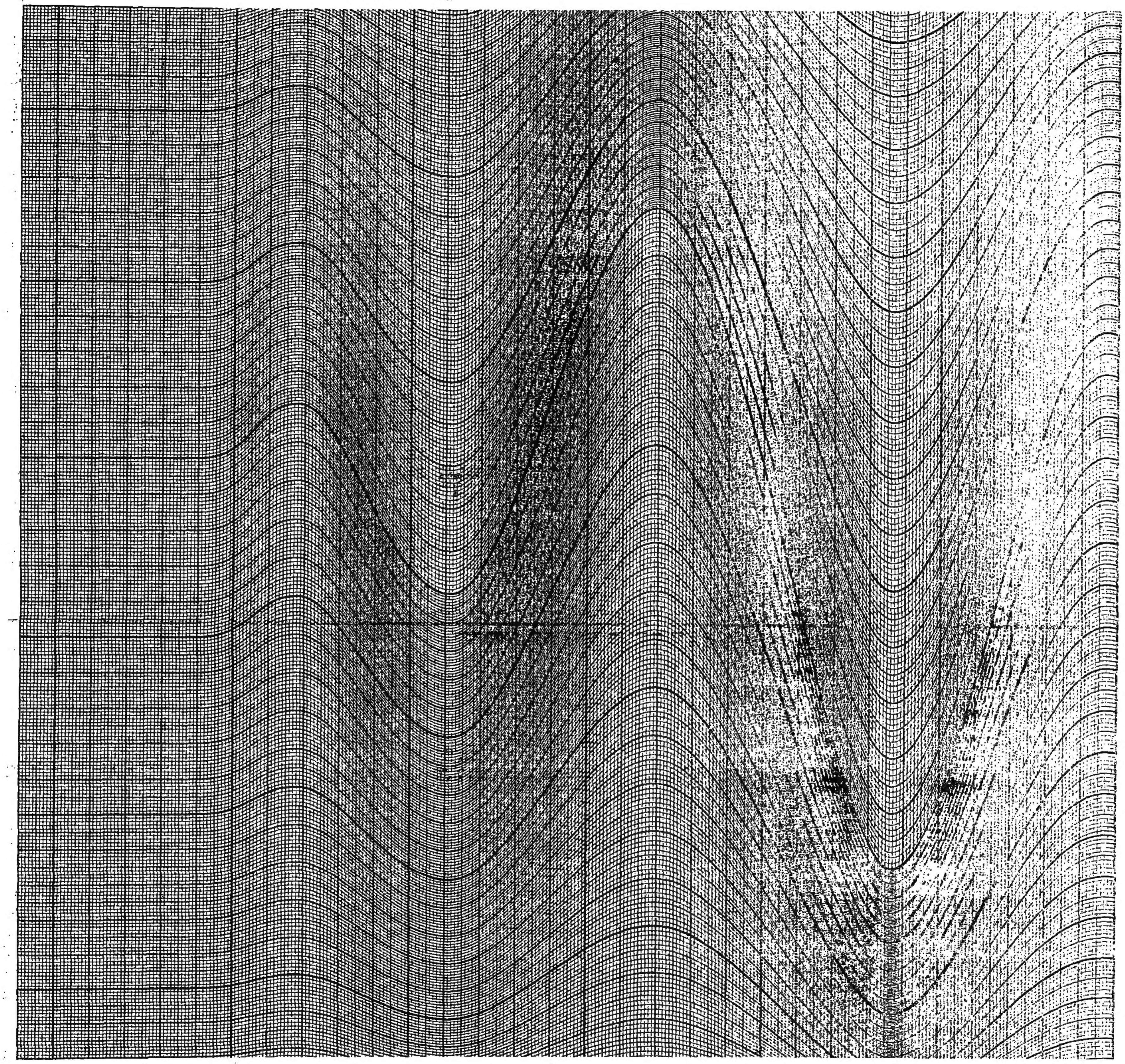

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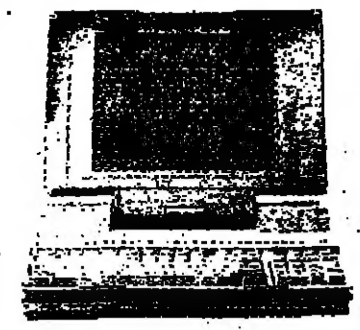

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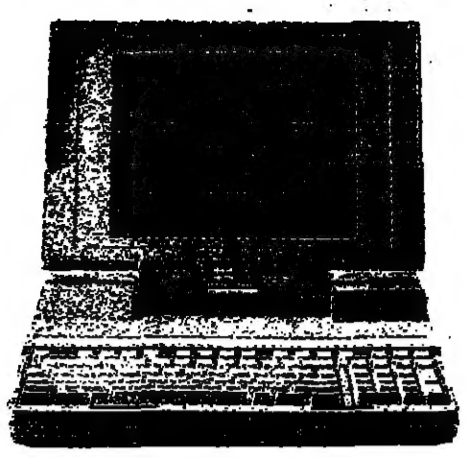

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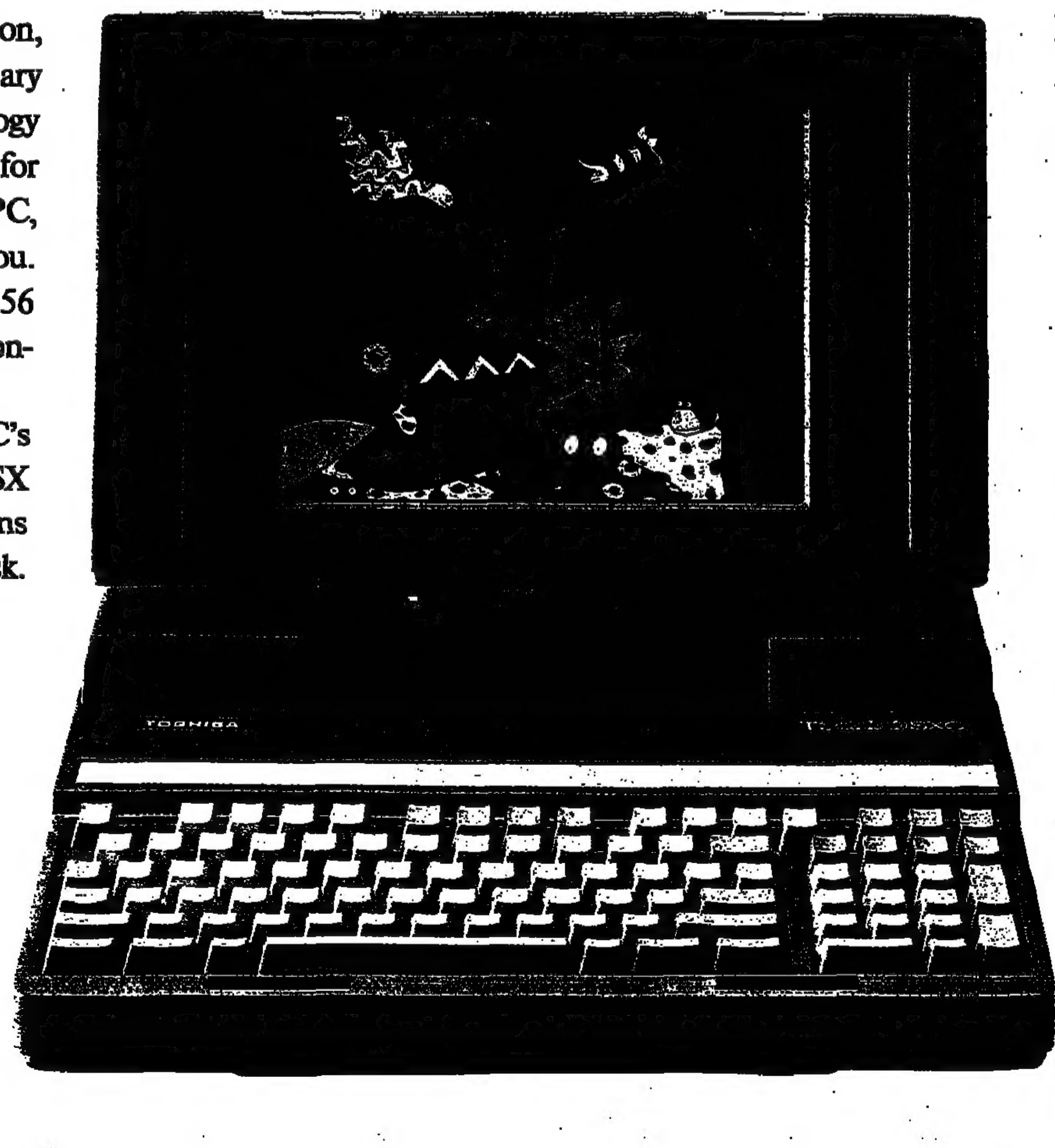


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## UK NEWS

# Banks join forces to counter the money launderers

**David Lascelles** reports on new guidelines issued for banks on how to spot and report ill-gotten gains

A UK bank branch was first alerted when a strange man started exchanging large amounts of cash for foreign currency on frequent visits. He was known to have an account at another branch nearby, and his visits had no obvious legitimate purpose. The bank passed their suspicions on to the authorities.

The man turned out to have previous convictions for drugs offences and an investigation ensued. He was eventually arrested and convicted for importing cannabis.

This story is one of five related in a pamphlet issued yesterday by the UK banking industry and the Bank of England to back up their campaign against money laundering. It makes engrossing reading, as is the intention.

It describes, for example, no fewer than 44 different types of suspicious transactions, ranging from rather obvious ones like "customers whose deposits contain counterfeit notes or forged instruments", to tell-tale signs among a bank's own staff that they might be criminal accomplices; for example, if they adopt lavish lifestyles, or show an unexpected increase in sales performance.

Although the UK has no fewer than four statutes outlawing the ill-gotten gains of drug-running and terrorism, several non-statutory initiatives have been necessary to drive home the message to the banking industry that it has a special role to play.

Last year, a committee of international bank supervisors issued guidelines for banks, and the Bank of England threatened to revoke the licences of banks which did not comply. Last April, an international working party of the Group of Seven industrial countries backed this up with calls for closer international co-ordination.

Yesterday's "guidance notes" were a joint exercise by the banking industry, customs and the police under the chairmanship of the Bank of England, to make all this work at the practical level.

Much of it gives advice on how banks can set up internal systems to spot suspicious money movements, and how they should train their staff.

Among the most important points is that banks should carefully verify the identity of new customers. The guidance notes says banks must obtain the best possible identification documents: it lists these in order of reliability as passport, armed forces identity card, employer identity card and full driving licence.

Documents which can easily be obtained or forged are less good. These include birth certificates, credit cards, student union cards and provisional driving licences.

Alan Harper

Graham Kentfield, chairman of the working group on laundering, pictured yesterday.

Banks are advised to meet new customers personally and to avoid opening accounts by post. Banks must also keep records for up to six years to facilitate investigations.

Potentially the trickiest part of the guidelines covers the reporting of suspicious transactions. The dividing line between legitimately alerting the authorities to possible criminal activity and breaching customer confidentiality is not clear. But, as the guidelines emphasise, banks have a statutory duty to report suspicious transactions, and by so doing they exonerate themselves from a charge of complicity.

The procedures for alerting the authorities are laid out in detail. Staff, the guidelines say, "must be encouraged to co-operate fully with the law enforcement agencies and to provide prompt advice of suspicious transactions."

One thing missing from the guidance is the size of the problem.

Mr Graham Kentfield, a senior Bank of England official who launched the notes yesterday, said it was virtually impossible to obtain reliable statistics. The G7 group earlier this year estimated that illegal drugs money amounted to $122bn a year, of which $85bn was laundered through banks. How much of this passes through London is not known.

Unlike the US, where the law requires all international money transfers over $10,000 to be automatically reported, the UK has opted for a reporting system based on suspicion, which is why banking staff have to be trained to spot unusual behaviour.

Detective Inspector Tim Wren of the National Drugs Intelligence Unit said yesterday that a suspicion-based system was much more effective than blanket reporting. About 20 per cent of the reports received by the NDIU created new cases or contributed to existing ones, he said.

Yesterday's notes are far from being the end of the anti-money laundering drive. The guidance will soon be extended to cover the insurance and investment fields, and even into areas where criminals might seek to convert their cash into valuables, like the fine art auction business, jewellers, car dealers and bureaux de change.

By the end of this year, the EC also hopes to finalise a directive outlawing money laundering.

It too will propose a suspicion-based system, though banks will be obliged to report transactions of over 10,000 Ecus with non-customers.

Leader, Page 16

# Union negotiators at Peugeot Talbot to recommend pay deal

**By Lisa Wood, Labour Staff**

TRADE UNION negotiators at Peugeot Talbot will today recommend acceptance by their members of a two-year pay package, which they say will be above inflation.

The company agreed the offer with the unions in return for talks on simplifying pay grades and the possible introduction of performance-related pay.

On offer, say the unions, is a 12 per cent rise for 1991 on basic pay and a 7 per cent rise the following year, with a profit-related element of at least 2.5 per cent of basic pay each year. Inflation has recently been running at about 10.7 per cent.

Peugeot Talbot said the basic offer was not 12 per cent, and described it as 10.5 per cent with an additional 1.5 per cent on basic rates. The aim is to set up a joint working party in the New Year to investigate the rationalisation of pay grades and the introduction of pay based on merit.

The offer, which has been agreed unanimously between company and union negotiators, is in line with rises at Ford, Vauxhall, Jaguar and Rover.

UK employees at Nissan, the Japanese car manufacturer, last week agreed to a 10.5 per cent rise, the lowest among British car workers this year.

Mr Tony Woodley, national officer for the motor industry for the TGWU general union, was pleased with the deal but stressed that "members have earned it" through improved productivity.

He said the agreement guaranteed improvements in the standard of living of Peugeot Talbot workers over the next two years, and also included improvements in the sick pay scheme, hospital and paternity leave.

Peugeot Talbot has five pay scales for the 4,000 hourly-paid workers which it wants to reduce to two: technicians and operatives. It also wants three pay bands within each grade to reflect individuals' jobs.

Peugeot Talbot is understood to admire the UK personnel operations of Nissan, where staff are salaried and paid within bands which reflect individual performance. From January 1 Nissan's manufacturing staff will earn £13,408 to £14,683 depending on performance. The average Peugeot Talbot worker will earn just over £12,000.

# Hopes of cut in interest rates hit by weak sterling

**By Peter Norman, Economics Correspondent**

STERLING'S weakness yesterday dented hopes of an early cut in UK interest rates despite government figures showing retailers in their biggest slump for 10 years.

The provisional estimate of retail sales in November showed that Britain's high streets are experiencing their worst trading conditions since the recession of 1980-81.

But a 2.5 pfennig fall in the pound's value against a strong Deutsche mark and its weakness against other currencies in the European Monetary System further lengthened the odds against a cut in bank base rates from their present 14 per cent before Christmas.

The Central Statistical Office reported yesterday that the seasonally adjusted volume of retail sales fell by an unexpectedly sharp 0.5 per cent last month and was 0.8 per cent lower than in November last year.

Volume sales in the three months from September to November were 1 per cent lower than in the previous three months, indicating an annualised rate of decline of around 4 per cent. According to the Treasury, November was the fourth successive month in which the three months sales figure had fallen. The last comparable decline in sales was in 1980-1981.

The Retail Consortium, which claims to represent 90 per cent of the UK retail sector, said that the downturn in sales was now affecting all product areas, including food and drink which had been resistant to the effects of high interest rates.

Coinciding with yesterday's bleak news from the high street, the government released producer price figures pointing to an easing of inflationary pressures in Britain's factories.

In response, both the Retail Consortium and the Confederation of British Industry, the employers' association, called on Mr Norman Lamont, the chancellor, to lower interest rates to ease hardship in the economy.

However, the gathering consensus in the City was that the government could not cut rates with the pound the weakest member of the EMS exchange rate mechanism by a clear margin. It closed in London last night at DM2.8625, some 8.75 pfennigs below its DM2.95 central rate.

In recent weeks the Bank of England has made no secret of its opposition to any fall in UK base rates so long as sterling is weak. For three Fridays in succession it has lent funds to the money market at 14 per cent even though the three months interbank rate has been signalling expectations of a base rate cut. The Treasury is discreetly letting it be known that it fully supports the Bank and that there is no conflict between the two institutions.

"There is an overwhelming domestic case for an interest rate cut," Mr Keith Skeoch, chief economist of James Capel & Co, the London stock broker, said yesterday. "But the pound is a problem."

Sterling's fragility was underlined yesterday when it fell on the news of the drop in retail sales. Its weakness was compounded by uncertainty over Mr Lamont's determination to defend Sterling's EMS parity, speculation that the Bundesbank may raise its interest rates at its policy making council meeting on Thursday and small upwards movements in Dutch and Belgian interest rates.

# Inflation eases as tougher business climate takes hold

**By Peter Norman, Economics Correspondent**

BRITAIN's inflationary pressures eased at the factory level in November reflecting tougher business conditions and lower oil and metals prices.

According to provisional figures released yesterday by the Central Statistical Office, prices for home sales of manufactured goods increased by just 0.2 per cent between October and November.

This slowed the annual inflation rate of factory gate prices to 5.8 per cent last month from 5.9 per cent in October and brought the annual rate of output price increases well below the 6.3 per cent levels recorded in May and June this year.

At the same time, the prices paid by industry for fuel and raw materials fell by 0.2 per cent last month and a more pronounced 1.2 per cent when adjusted for normal seasonal variations.

The CSO said that a seasonal increase in the cost of electricity for industry was more than offset by falls in the prices of petroleum products and metals last month. Altogether, input prices fell by 2.4 per cent compared with November 1989, following a 0.7 per cent fall in input prices in the 12 months to October.

The input prices index has now fallen for six of the past seven months compared with 1989 levels.

While last month's output price developments were broadly in line with expectations, the 1.2 per cent drop in the seasonally adjusted input prices was greater than forecast by most City analysts.

The Treasury said it was not surprised by the news and forecast further falls in producer price inflation over the coming 12 months providing the rate of increase in earnings also slows.

The government's Autumn Statement last month forecast a fall in annual producer output price inflation (excluding food, drink and tobacco) to 5 per cent by the end of next year from 6.25 per cent in the present quarter.

The latest figures show that this measure of factory gate inflation dipped to 6.8 per cent last month from 6.4 per cent in October.

## UK NEWS

# EC urged to offer Gatt concessions

By Ivor Owen, Parliamentary Correspondent

AVOIDING a trade war and ensuring further progress with liberalisation would require "additional concessions" than those offered by the European Community last week, Mr Peter Lilley, the Trade and Industry Secretary, told the Commons last night.

He suggested that the "one or two" members of the Community who had not been averse to seeing the suspension of the Brussels negotiations on the General Agreement on Tariffs and Trade (GATT) should be the most "forthcoming".

Mr Lilley warned that everyone would have to make additional concessions to secure the resumption of negotiations, and that, once they were resumed, further concessions would be needed.

When Tory MP Mr Roger Knapman claimed that France and the Irish Republic had been largely responsible for the breakdown the minister declined to "point the finger" at particular countries.

To nods of approval from both sides of the House Mr Lilley hinted that the pressure for further concessions should be concentrated on those who had been the most willing to see a suspension of the talks, and the most reluctant to permit the European Commission to adopt a more flexible negotiating stance.

He confirmed that Mr John Major, the prime minister, would be pressing for an early resumption of negotiations at the European Community summit at the end of the week, and in his talks with President Bush in Washington at the end of the month.

In an optimistic assessment of future prospects, Mr Lilley argued that it was still possible to achieve the aim of bringing agriculture and textiles fully under the disciplines of GATT, and extending its scope to include services, intellectual property and investment.

Ms Joyce Quin, of the Labour opposition, criticised the prime minister for not having sought to avoid the Brussels breakdown by having direct contact with Germany's Chancellor Kohl and France's President Mitterrand.

She also criticised the government for not having made precise proposals for cutting export subsidies, and for failing to exert further pressure for fundamental reform of the Community's common agricultural policy.

Mr Lilley stressed that British ministers had been in close touch with the representatives of France and Germany, and called for the reformulation of the agricultural proposals made by the Community.

By and large, he said, Britain's message had been taken up "too little and too late".

Mr Peter Shore, for the Labour party urged the government to seek to return agricultural policy to the control of national governments.

# Election date hangs in the balance

## Philip Stephens considers the options facing the prime minister

ANYONE who takes the trouble to glance back at the instant reaction to sterling's entry into the EMS exchange rate mechanism will treat with appropriate scepticism the latest speculation at Westminster about an imminent general election.

Mr John Major's decision in early October to tie sterling to the D-mark was greeted with a burst of euphoria among Tory MPs. Banner headlines in some newspapers declared that interest rates would tumble, providing the perfect backdrop for an election in the spring or summer of 1991.

In the event, the euphoria on financial markets lasted about three days and at Westminster about three weeks. So Mr Major, now installed in 10 Downing Street, will be more aware than most of just how potentially unreliable a guide to the outlook is the present wave of optimism. The prime minister, his political career built on astute but cautious judgments, is unlikely to be persuaded by opinion polls to risk losing power.

That said, there is little doubt that the overwhelming majority of his colleagues think the election due by July 1992 will now come sooner rather than later.

The majority of his cabinet colleagues favour June or October 1991. The optimists

John Major: may decide to hold an early election

insist that March – or late February – must be seen as a possibility.

The arguments have been well rehearsed. Mr Major gives the Conservatives a "clean sheet" to present to the electorate. With "caring conservatism" replacing Thatcherite ideology, he can ask for a new mandate sooner rather than later. The opinion polls – showing the opposition Labour Party leading by up to 15 points has given way to a Tory lead of 5 points or more – are operating in the same direction. On past form, this traditional "honeymoon" may last about six months.

During that period Mr Major, can expect also to benefit from the uncertainty that Mrs Margaret Thatcher's departure has injected into Labour ranks.

But if the arguments for a much earlier election are persuasive, they are not overwhelming; and the serious betting still points to June as the first opportunity and October the more likely. It assumes also that the uncertain outcome of any conflagration in the Gulf will not render useless all the calculations.

There is an argument for an earlier snap election. Mr Major, the case runs, should take maximum advantage of his honeymoon by calling an election on a platform of promises: to reform or abolish the poll tax, to boost public spending in key areas like education and health, to offer an economic strategy which will bring post-election mortgage rate cuts.

An election in late February or early March would also come before the full impact of the economic recession is felt on real incomes and unemployment, and ahead of next year's poll tax bills. Inflation will be falling and, the ERM permitting, so should be mortgage rates. The expected "crunch" with Britain's European partners over a single currency will still be some months off.

Most economic forecasts, however, indicate that Mr Major would be better advised to wait. Inflation could fall to 6 per cent by September. Mortgage rates are expected to drop sharply from April onwards. In the meantime, the Treasury should be able to devise another temporary sticking plaster for the poll tax – pending its abolition.

But the strongest pointer to caution is Mr Major's own temperament. If he called an election before June he would be relying on the evidence of the opinion polls, of one or perhaps two parliamentary by-elections and some scattered local election results.

If he waits until May, the prime minister will have the results of the nationwide local elections which provided the backdrop for both the 1983 and 1987 general elections. He could then chose to go to the country in June or wait until October or until 1992.

It is possible that in his new role, Mr Major will be ready to take a huge political gamble, but those who know him well insist that he is far more likely to look before leaping.

## BRITAIN IN BRIEF

### Fraud office drops inquiry into union

The Serious Fraud Office said that it would not hold a full inquiry into the use of funds donated to the National Union of Mineworkers during the 1984-85 miners' strike after considering evidence collected by detectives.

The decision means Mr Arthur Scargill, NUM president, is unlikely to face further legal action over his handling of funds. Mr Scargill and the NUM have already denied allegations of shortcomings in official union accounts.

The SFO said it had decided against holding its own inquiry over allegations of mishandling of funds, which were made in July by a mining union official in the Soviet Union.

### Appraisals for teachers

British Teachers will for the first time be subject to mandatory appraisals of their performance under new government regulations, but funds for the exercise will fall far short of what an independent review body determined is necessary to make the system work.

Mr Kenneth Clarke, Education Secretary, reversed the decision of his predecessor and replaced a voluntary appraisal scheme with a mandatory system. However, Mr Clarke said that only £10m in public funds will be made available in each of the first two years of the scheme, and £4m of that is to come from cash-strapped Local Education Authorities.

After that, some of the cost of appraisal is to be figured into funds allocated to local authorities to help them meet education costs, he said.

### Extra spending in Wales

The government is to pump a further £23.7m into its regeneration programme for the industrial valleys of south Wales.

The spending is part of £94m to be spent in Wales over the two years 1991-3 under tits urban programme. The largest single amount – £9.4m – will go to further support for the 1992 Garden Festival to be held in Ebbw Vale. This brings the government's total commitment to the festival, the last of five being held in Britain, to £20m.

### Shell cuts price of petrol

Shell, the Anglo-Dutch oil company, cut the price of petrol to below £2 a gallon for the first time since the Iraqi invasion of Kuwait.

A change in wholesale prices taking effect tomorrow should bring the pump price of a gallon of Shell four-star leaded down to 199.6p (43.9p per litre).

### Councillors arrested

The former chief executive of West Wiltshire District Council, and three other men connected with the council were arrested in dawn raids over an alleged fraud concerning privatisation of council services. They were taken to Chippenham police station for questioning.

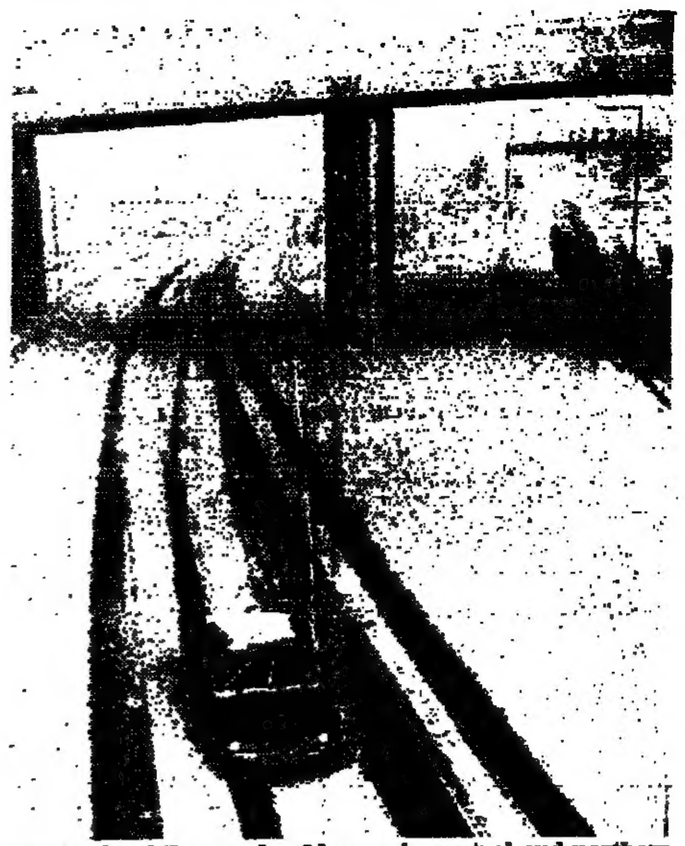
Mr Gerald Garland, the former chief executive, was arrested at his home in Frome, western England. It is understood documents were also seized. Also arrested were Mr Roger White, the council's director of leisure services, Mr Roger Pugh, director of land management, and another man.

### TV companies agree strategy

The Independent Television companies have agreed to set up a company with power and money to commission programmes and direct the scheduling of the future Channel 3 national network, with a budget of up to £500m a year.

The move to central scheduling is one of the most fundamental changes in ITV since its inception, and involves a considerable loss of sovereignty for the individual companies.

The decision was taken by a large majority of the companies although Thames Television, the biggest, is believed to have been against the move.



Hundreds of thousands of homes in central and northern Britain remained without power and water supplies as utility companies struggled to restore supplies following a weekend of blizzards and heavy snow across the country. Many roads however, such as the M6 motorway pictured above, were reopened to traffic after being blocked. The heavy snow caused at least eight deaths as rescue services were hampered by the conditions. Disrupted rail services, meanwhile, are returning to normal.

### Bill of Rights proposed

A Bill of Rights banning the death penalty and calling for freedom against discrimination on the grounds of homosexuality and age as well as sex and race was unveiled at Westminster.

The publication of the Bill by the Institute for Public Policy Research, an independent think tank, marks the anniversary of Human Rights Day.

The proposed Bill covers: freedom of expression and information; freedom from discrimination on grounds of sex; the right for prisoners to be treated with humanity; and protection from the death penalty.

At present, the European Convention on Human Rights and the International Covenant on Civil and Political Rights allow the death penalty in certain circumstances during times of war.

### Concerts on the increase

The number of performances by London's four main orchestras rose by 48 per cent between 1980 and 1989, and the number of recording sessions rose 87 per cent, according to the latest edition of the Policy Studies Institute's Cultural Trends. Attendances at classical concert venues were, however, below the audiences at the three main London pop venues.

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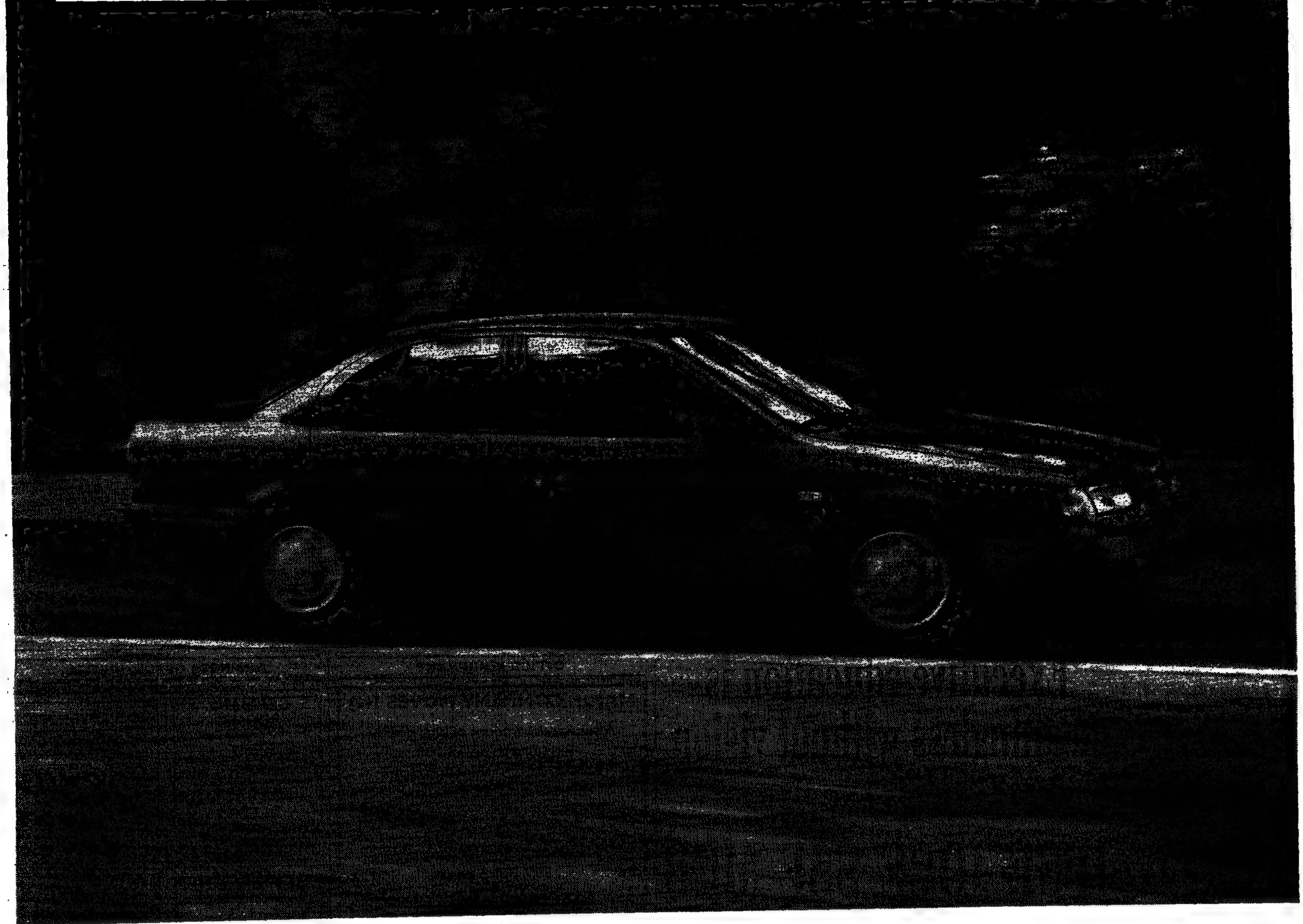
# Nissan Primera. Compare this to what you call comfort.



Nissan announces the Primera.

A car that, before being introduced, has spent the past several years being tried, tested even tortured all over Europe.

A car that in fact was built for only one, much more important, confrontation. Its meeting with you (you could say the Primera was built to be compared).

Let's step inside and compare the Primera on comfort. There's sufficient space in the Primera's interior to allow you, your passengers and all their luggage to really stretch out.

And this you can experience in "fatigue-free" seats which can be adjusted to suit every need.

But comfort isn't merely a question of seats. Cockpit and dashboard are designed for a better view, better operating controls and less hassle.

The completely new Multi Link Front Suspension system then guarantees you incomparable comfort on roads that go from poor to worse to worst.

All this to assure you of driving pleasure on distances that go from short to medium to long.

However the Primera was not created as an advancement over other cars merely in terms of its comfort.

Its performance, its styling, its quality-all are designed to stand up to your scrutiny.

As you realise as you match the performance of its 16 valves in every Primera gasoline engine with your own.

And as you sit back and think about the bumper-to-bumper 3 year warranty we give you.

And your comparison is not only true for the four door sedan but also for the five door hatchback and station wagon.

There now seems to be only one question left unanswered: when would you like to compare the Primera?

NISSAN

**Nissan Primera.**
**The new performance car for a country called Europe.**

THIS MODEL IS A NISSAN PRIMERA SLX. ALL SPECIFICATIONS MENTIONED ARE BASED ON THE MODEL SHOWN AND SUBJECT TO POSSIBLE CHANGES.

## MANAGEMENT: The Growing Business

## In brief...

■ Share incentive schemes for executives and other employees have proved a popular method of motivating and retaining staff in recent years. A seminar on the subject of share option schemes and employee share option plans will be held in London on April 22 1991.

*Contact Professional Conferences and Training Services, Ground Floor, 72 Lady Margaret Road, London NW5 2ND. Tel 071 284 0470. Fee £250 plus VAT.*

■ Baring Brothers Hambrecht & Quist, a venture capital company with offices in London, Zurich and Frankfurt, has opened an office in Dresden. BBH&Q believes this is the first venture capital operation to be established in what was formerly East Germany.

■ Growing businesses must beware of reducing their marketing activity just because economic conditions have begun to worsen, according to accountants Grant Thornton.

A survey of 60 companies in London with turnover of £1m to £30m revealed that 70 per cent had never carried out market research; 66 per cent had no marketing plan; and 40 per cent had no marketing budget.

Even those companies which did carry out market research did little more than seek basic market information while money was allocated to marketing on an ad hoc basis, in response to special initiatives. Financial services companies were particularly poor at drawing up marketing plans, the survey noted.

■ A £2.5m venture capital fund to help small Cambridge-based businesses expand and take advantage of new technology has been set up by National Westminster Bank and St John's College, Cambridge.

The fund will provide fixed-interest, subordinated loans for up to 10 years with an option to buy a minority shareholding in the investee company. NatWest and St John's Innovation Centre, a science park owned by the college, have set up a new company – St John's Ventures – to administer the fund.

*Contact Walter Herriot, St John's Innovation Centre, Cowley Road, Cambridge, CB4 4WS. Tel 0223 421001.*

# How the EC plans to use its extra resources

**Tim Dickson** talks to the director general for enterprise policy, distributive trades, tourism and co-operatives, who has been in his job since March

Heinrich von Moltke: consolidating what has been accomplished and furthering the advancement of new ideas

The process of appointing top civil servants in Brussels has become notoriously political; success can sometimes owe more to a candidate's nationality than to his or her professional skills.

Yet Heinrich von Moltke – since March the European Commission's director general for enterprise policy, distributive trades, tourism and co-operatives – seems a man surprisingly well qualified for his task.

Von Moltke can not only claim an impressive inside knowledge of the European institutions since he has served on them in various capacities since 1960 and has a wide range of Brussels contacts – all crucial for getting things done; he can also boast recent experience of drafting EC legislation for 1992 and a valuable insight therefore into what makes business people tick.

Admittedly, as the previous deputy director general of DG3 (the Commission's department for the Internal Market and Industrial Affairs), the 56 year-old German lawyer has spent much time recently dealing with large companies in traditional sectors like steel and shipbuilding.

But he is under no illusions. "We all noticed very clearly during the last economic crisis that manufacturing industry as a whole was not going to bring more employment. It was obvious then that the days of big companies were over and that the emphasis of adjustment would be put on smaller, more dynamic firms, particularly in the service sector." Indeed, von Moltke claims some of the credit – along with the then Commissioner Karl-Heinz Narjes – for setting up the services division inside DG3.

For the moment, however, the spotlight is on him because of the Commission's recent request that an extra Ecu25m be added to the Ecu110m of funds already made available for small and medium-sized business initiatives for 1990-93.

That money – formally held in reserve by the member states and European Parliament – is now needed, according to the wording of a recent paper, so the EC can make a "qualitative leap" in assistance for the small business sector.

The extra resources, von Moltke explains, will be used both to consolidate what has been accomplished so far in the field of information and business co-operation, and to further the advancement of new ideas such as cross-border marketing support and specific aid for what the French call the "artisanat" (very small craft businesses).

Few deny that the growth of activities spearheaded by DG23 has been rapid or that the pressures on its relatively modest small business team have intensified.

For example, the network of European Information Centres (EICs) – independently operated within host organisations like chambers of commerce and business consultants to answer questions on the European market – has jumped from 39 at the outset to almost 200 today.

According to von Moltke, "the closer you come to 1993 the less you need information on broader issues, the more you need to target the service and add an advice function".

The EC's Business Co-operation Network – an electronic matchmaking service designed to bring companies together for joint ventures, mergers and other cross-border co-operation – has virtually doubled its numbers. And the Europartenariat scheme – which tries to stimulate co-operation among firms in less developing regions via a multilingual catalogue, pre-arranged meetings, and business contact days – has been so successful that Brussels is now planning to target two regions per year rather than one.

All these activities – developed under Alan Mayhew, the well respected head of the then small firms task force – will be continued with the EC's role primarily that of the catalyst.

New initiatives already being devised are a training scheme on how to cope with the challenge of 1992 ("we tend to believe that strategic planning is not the strength of SMEs," says von Moltke), a pilot programme to encourage cross-border marketing, and a new programme for the artisanat which will have a content shaped in part at least by the conclusions of a Commission conference on this sector held at Avignon last October.

Von Moltke admits that marketing in the EC single market will be "much more difficult" than coast-to-coast marketing in the United States – but he firmly believes it is the Commission's role to help overcome the problems.

The new director general is at his most thought-provoking, though, on the subject of "impact assessement". This is the exercise which all Brussels departments have to conduct to demonstrate the likely compliance costs and other effects of draft directives.

Von Moltke says that this horizontal approach to small business policy – which he knows about from the receiving end – is "a very useful tool". The plan is to make the assessment procedure more efficient by concentrating only on legislation which is relevant to business, but he points out that for the first time the Commission's own implementing legislation is to be included.

He is a great believer in "early dialogue" with his Commission colleagues, observing that "civil servants don't like writing these impact assessments at the last minute". He is even proposing that his own staff should be involved in writing the opinions, "getting our ideas on board at an earlier stage".

Von Moltke says the very existence of the impact assessment is bound to influence the way legislation is drafted. And he sees another key role for himself in checking with other departments that business interests have been consulted. He claims to have a special agreement with DG5 (the department which deals with social policy) which guarantees him advance warning of new initiatives.

"You should have seen the first draft of the directive on a typical work. Some of the rigidities in it seemed to me to be the result of the manufacturing industry/large business preconceptions of those writing the rules. They were certainly not appropriate or relevant to small service businesses."

Von Moltke, however, is anxious not to portray himself as an uncritical conduit for the business lobby. "We have to be interested in the social development of the EC, especially as we are moving to a broader economic and political union of the Community," he adds firmly.

# A big role for small firms

**Charles Batchelor** on businesses in the European Community

The full extent of the contribution which smaller businesses make to the economy of the European Community is revealed in a newly-completed survey* carried out by the European Commission.

Small businesses employing fewer than 10 people – dubbed "micro-businesses" by the survey's authors – account for 91 per cent of the 13.4m non-farming businesses active in the community though they employ just 27 per cent of the 92m workforce, according to what is claimed to be the first comprehensive study of small businesses in Europe.

Just 12,300 businesses or 0.1 per cent of the total number are categorised as "large" – employing 500 or more – but they provide 28 per cent of employment. Businesses classified as small and medium-sized, employing between 10 and 499 people, account for nearly 9 per cent of the numbers and 45 per cent of jobs.

The survey is based for the most part on data available up to 1986 but the authors estimate that the number of small businesses in the community is increasing at a rate of 2.5 to 3 per cent or 360,000 new firms a year. Some of these businesses may result from the splintering of larger enterprises rather than representing completely new starts, however.

The relative importance of smaller companies varies from country to country. Micro, small and medium-sized businesses make their biggest contribution to employment in Spain, Italy and Portugal but are relatively less significant in Germany, the Netherlands and France.

But excluding micro-businesses from the figures – and taking only enterprises employing between 10 and 499 people – smaller companies play a larger role in the UK and Germany and are less important in Portugal, Spain and Belgium.

The aim of the study was to provide detailed figures on which to base proposals for community legislation to enable smaller businesses to benefit from the single European market.

Policy-makers have in the past been seriously hampered by a lack of information about the smaller business sector because of the cost and the burden that collecting such information would impose on small business owners. In practice this meant that more than 90 per cent of all enterprises were not covered by regular official statistical surveys, the study says.

**Enterprises in the European Community. Available from the Office for Official Publications of the European Communities, 2 Rue Mercier, 2985 Luxembourg. Ecu17.*

# Venturing feels the pressure

**Charles Batchelor** on the outlook for providers of risk finance

More difficult times lie ahead for venture capitalists over the next five years. The institutions which provide the funds will demand a better return while the managers of investee companies will expect their venture capital backers to take a more active interest in their affairs.

This snapshot of the UK venture capital industry in 1995 emerged from a survey* commissioned by the British Venture Capital Association and discussions at the association's annual conference in London. Both provided some sobering thoughts for an industry which experienced unbroken rapid growth throughout the 1980s. The survey findings emerged from interviews with the chief executives of 18 leading venture capital firms.

Competition will increase significantly with the biggest threats seen as pressure on profit margins, a scarcity of new funds and increased demands that venture capitalists demonstrate good investment performance, the chief executives forecast.

This is expected to lead to a contraction of the industry with around 20 of the existing firms withdrawing. A slightly smaller number of new entrants to the industry, mainly smaller, more focused funds, will emerge, however. More significantly, the survey suggests, the larger, more successful venture capitalists will control a larger share of all funds committed by investors.

Firms without a clear record of meeting investors' expectations of returns are likely to experience greater difficulties in raising money. Newer venture capital firms which invested most of their money when deals were expensive in the mid to late 1980s will be particularly vulnerable given the lower price-earnings levels at which these investments can now be sold.

The greatest opportunities for UK venture capitalists were seen as substituting venture capital for bank debt in sound companies which find that their traditional sources of finance, mainly the banks, are reluctant to lend.

The greatest failure of the venture capital industry has been the lack of support it has given to start-up and early-stage businesses, particularly those in high-tech fields, the chief executives conceded.

Management buy-outs are nevertheless likely to remain the single most important area of investment over the next five years accounting for just over half of all funds invested in 1995.

The managers and entrepreneurs who are potential users of venture capital finance generally have a negative image of the industry, the chief executives concluded, though they attributed this to the lack of an accurate understanding of the service they provided.

Most thought, however, that the relationship between venture capitalists and their potential customers would improve over the next five years.

Over the next two years the volume of investment by UK venture capitalists is expected to fall – by 20-30 per cent on the £1.65bn level of 1989 – though investment levels are expected to increase again from 1993/94.

**Change and maturity in the UK Venture Capital Industry, 1990-1995 by Gordon Murray of Warwick Business School. Contact British Venture Capital Association, 3 Catherine Place, London SW1E 6DX. Tel 071-233 5212.*

## BUSINESS OPPORTUNITIES

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- **Containerway** — Customs approved "Inland Clearance Depot"
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- Turnover in 10 months to October 1990, £5,756,000.
- Employs approximately 74 people.
- Occupies leasehold premises in Barking, Essex.

D.J. Pallen and M.E. Mills, Joint Administrative Receivers of CWC Freight Group Limited offer for sale the above businesses and assets.

Offers will be considered for the individual divisions or the company as a whole.

For further information please contact the Joint Administrative Receivers of CWC Freight Group Limited, Ernst & Young, 1 Lambeth Palace Road, London SE1 7EU. Telephone: 071-928 2000, Telex: 885234, Fax: 071-928 1345.

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### Opthalmic Lens Machinery Manufacturer
**Business and assets of Autoflow Engineering Limited for sale as a going concern**
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- Established customer base.
- 50 employees.
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**For further details contact the Joint Administrative Receivers:**
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ROBSON RHODES
Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021-643 1938
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### Scarlett Group Limited (In Receivership) London
The above company is Europe's largest independent prestige recording company, owning The Power Plant and Maison Rouge studio complexes in North West and South West London:
- 2 fully equipped freehold recording complexes
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- Bar/restaurant at each complex.

The company has 3 wholly owned subsidiaries:
- a developing music publishing company with control over a growing catalogue of songs
- a business which has contracts with several internationally recognised producers
- a recently established production company which has recently completed 2 LP recordings

For further details please contact the Joint Administrative Receivers: Maurice Withall or Iain Allan, Grant Thornton, Melton Street, London NW1 2EP.
Tel: 071 383 5100 Fax: 071 383 4077

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For further details please contact the Joint Administrative Receiver Scott Barnes, Grant Thornton, St Johns Centre, 110 Albion Street, Leeds LS2 8LA.
Tel: 0532 455514.
Fax: 0532 465055.

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The Joint Administrative Receivers, H C Brunt and G W Rhodes, offer for sale the business of this well-established plant hire company based in the West Midlands.
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For further information contact H C Brunt or A G Haden of
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Telephone: 021 631 2631
Fax: 021 236 2856

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### The Joint Administrative Receivers offer for sale the businesses and assets of:- Cowells Sewerage Systems
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- Turnover £1 M+
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For further details contact:- Jonathan M. Sisson, Cork Gully, The Atrium, St. Georges Street, Norwich. Telephone 0603 619425, Fax 0603 631060.
Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business
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### The Joint Administrative Receivers offer for sale the businesses and assets of:- Cowells Stockholders
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For further details contact:- Jonathan M. Sisson, Cork Gully, The Atrium, St. Georges Street, Norwich. Telephone 0603 619425, Fax 0603 631060.
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## BUSINESSES FOR SALE

**Touche Ross**

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The major areas of the company's activities are:

- ☐ Production Automation Sytems.
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The company's operations are based in Leatherhead.

For further information, please contact Mr. M. Downey at the address below:

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**Queens Hotel, Brighton**
- ◆ 90 letting rooms
- ◆ Conference suites
- ◆ Fitness and leisure centre
- ◆ Night Club
- ◆ Turnover to January 1991 projected at £1.16m

**West Beach Hotel, Brighton**
- ◆ 70 letting rooms
- ◆ Conference suites
- ◆ Separate bar with own street access
- ◆ The hotel has just reopened after refurbishment —Turnover to January 1990 was £551,000

**Kings Hotel, Brighton**
- ◆ 77 letting rooms
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Interested parties should contact the sole agents:
Messrs Robert Barry & Co, 7 Upper Grosvenor Street, Mayfair, London W1Z 9PA Tel: 071-491 3026, Fax: 071-629 9373 or alternatively *Peter Copp* or *Geoff Kinlan* at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888, Fax: 071-487 3686.

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**(IN ADMINISTRATIVE RECEIVERSHIP)**

The Joint Administrative Receivers offer for sale a fully equipped bacon processing plant being the business assets of A & L Konway & Co Limited, based in Leytonstone, London E11.

The Company is engaged in the wholesale supply of sliced and vacuum packed bacon.

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For further information, please contact either Peter Phillips, Colin A Francis or Heath Sinclair of Buchler Phillips & Co, 84 Grosvenor Street, London W1X 9DF. Telephone 071-493 2550. Facsimile 071-629 9444.

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For further information please contact the Joint Administrative Receiver, Jonathan Sisson, Cork Gully, The Atrium, St Georges Street, Norwich Tel: 0603 619425; Fax: 0603 631080.

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**FROZEN FOODS DISTRIBUTOR COTSWOLDS/CHILTERN AREA**

The Joint Administrative Receivers offer for sale as a going concern the business and assets of ACTA Frozen Foods Limited, Cheltenham, distributor of Frozen Foods, and Frodel Frozen Foods Limited, operator of a chain of frozen food stores. Principal features include:

- Leasehold head office premises with central frozen storage facilities
- 7 Leasehold shops, of which five are still trading, with both display freezers and back up frozen storage
- Retail and wholesale frozen and non-frozen food stocks
- Turnover for year ended April 1990 was £0.85m for ACTA Frozen Foods Limited and £1.3m for Frodel Frozen Foods Limited

For further information, please contact the Joint Administrative Receiver, John Wheatley

**KPMG** Peat Marwick Corporate Recovery
Peat House, Lansdown Road, Cheltenham GL50 2JA.
Tel: 0242 222020. Fax: 0242 221970.

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**PENNINE BODIES LIMITED**
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- Scope for further development

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ARTS

# Underrated artists

## William Packer on London exhibitions

Four shows now current in London, of the work of two Englishmen and three Germans, demonstrate just how mistaken it is to rely too heavily on entrenched judgements and museum opinions.

David Bomberg was always a special case, known yet long underrated and ignored. Two fine retrospective groups of work, of paintings at Bernard Jacobson (14a Clifford Street W1: until January 19) and of drawings at Gillian Jason (42 Inverness Street NW1: until January 11) mark the centenary of his birth. At Agnew's (43 Old Bond Street W1: until January 4), three German realist painters, Erich Wolfsfeld and two of his pupils, Lotte Laserstein and Gottfried Meyer, show how much there is still to discover of the German figurative tradition in the 20th century. And with Michael Ayrton, at Austin/Desmond (Pied Bull Yard, 15a Bloomsbury Square WC1: until January 19), we may reconsider the achievement of a flawed but real talent.

At first the problem with Bomberg was that he was both recognised and dismissed as having been a significant figure within a minor movement, his youthful gift exhausted in the brief, energetic life of Vorticism in the few years before the First World War. With more recent researches into Vorticism within these past 20 years, and its consequent elevation in critical standing, that early contribution was no longer to be dismissed with so light a condescension, but still the later work was disregarded, the mere flounderings of a talent in decline.

Slowly the point has been taken, however, that change and development in an artist's work need not be taken as an inevitable mark of dereliction or moral collapse, even though they may seem to incline him away from the accepted canons of modernist orthodoxy. And these two shows, the paintings especially – which all date from well after the Vorticist period, make clear just how fatuous it always was ever to see Bomberg as anything less than a major and extremely modern artist.

The world has now come round again to figurative expressionism, and Bomberg's influence as a teacher, with such artists as Auerbach and Kossoff his pupils at the Borough Polytechnic after the last War, is well established. But still he remains virtually unknown abroad, and even in England his own work is often thought difficult where it is not inconsistent. The truth is that many of his landscapes, from the 1920s to the '50s, are as brave and fine, and rich and beautiful too, as any done anywhere in modern times. Spain proved to be a particular inspiration, his Spanish landscapes the best of all. But here the single flower painting, of 1945, so low in tone, rich and warm in colour and as actively monumental as any of the landscapes, is better still.

Of the three Germans at Agnew's, Wolfsfeld died in 1956 at the age of 71, having spent the last 20 years of his life in exile in England, while Laserstein and Meyer are still alive, in their 90s and late 70s respectively. Lotte Laserstein is undoubtedly the star of the show, both in number and quality of the work, but all are remarkable, as much for their technical command as for their imaginative and psychological force, and should be taken as they are presented, together.

Their common subject is the human figure, neither idealised nor subject to any purely academic scrutiny, but seen and registered as a direct and individual human presence and personality, no matter whether the model is a long familiar friend or taken in off the street. The statement is invariably straight-forward and unsentimental, for all that it is so powerfully felt and understood. Entirely modern in itself, it remains quite uninflected by any self-conscious modernism, and thus stands firmly in the great figurative tradition of northern Europe, that goes back through Rembrandt to Holbein and Dürer.

The particular lesson for us here is that such conspicuous – I nearly said phenomenal – technical command, and the necessary disciplines of its acquisition, are in no way inimical to personal and imaginative expression: indeed they are a function of it, and they rebuke us for our cavalier abandonment of them in our art schools 25 years ago. In a sane world, this would be no case of the virtual rediscovery of forgotten talents, and the large Laserstein, the "Discussion" of 1931, of three of her friends, including Meyer, in animated debate, would be in the Tate.

Michael Ayrton, who died in 1975 at the age of 54, was that characteristic figure of British cultural life, the artist too clever for his own good. By that I mean not that artists should not be clever, but only that Ayrton was hampered and ultimately frustrated by an intellect that could get him on the Brains Trust but would never stand aside. Always it would interrupt the intuitive imaginative processes. Polymathic and especially deeply read in the classical mythology that so fired the neo-romantic imagination, he was forever producing the painting and sculpture that he somehow thought so clever a man ought to be producing, rich in literary and recondite reference to gods and fabulous creatures, to Icarus and the Minotaur, fallen Man and his fallen Nature.

But for all his limitations, even perhaps by the very struggle in him that they inevitably produced, something substantial comes through in the work, a dogged integrity and commitment that are entirely admirable. The mystical landscapes are unfamiliar, and indeed freer in their expression than we have come to expect. There is more here to Ayrton than we might have thought.

'Boy with a motorcycle' by Lotte Laserstein. Oil on panel

# Der fliegende Holländer

**BAVARIAN STATE OPERA, MUNICH**

Ten years ago, Herbert Wernicke set the *Dutchman* entirely within the four walls of a bourgeois townhouse, with Senta yearning for emancipation. It was one of the more adventurous products of the Everding years, but Wolfgang Sawallisch hated it, and it lasted just 25 performances – a meagre tally by Munich standards. This new staging was Sawallisch's chance to set the record straight. He sacked Nikolaus Lehnhoff as producer when their views became incompatible, and brought in Henning von Gierke, a painter whose previous experience of opera amounted to designing two Werner Herzog productions (including *Lohengrin* at Bayreuth).

To Gierke's credit, this *Dutchman* is never less than picturesque, it provides the minimum of fuss for the principals and will withstand any number of revivals. We are unmistakably back in the world of Wagner's "romantic opera", with traditional costumes and wooden sailing ships, a proper painting of the Dutchman in Daland's house (which has a ceiling shaped like the ribs of a ship's keel), and an apotheosis in which Senta and the Dutchman both jump (rather comically) to their deaths.

After the cool intellectualism of this summer's Bayreuth production, Gierke's naive and passive approach – with its Nordic colours and silhouettes, its visual illusions and sweeping skies – comes as a welcome relief. But like the vast gold-framed seascape slung across the proscenium in the overture, it remains an artist's impression – the *Dutchman* becalmed and dramatically inert.

The real dynamism comes from the pits, where Sawallisch conducts with fire, passion and an unerring sense of how to place a crescendo. His is an all-embracing view of the work, emphasising the music's seamless rather than its stylistic and structural leaps, integrating the brass into the orchestral fabric rather than playing it up for effect. This is Wagner conducting in the finest Munich tradition, completely at the service of the composer.

Apart from the chorus, there were two outstanding performances on stage, in roles that are all too easily type cast. Erik confirms Peter Seiffert's maturing talent: his tenor is soft and penetrating, and the tone never grates. He sings and acts intelligently, and makes a powerfully-built, credible young suitor. Jaakko Ryhänen is the latest in a distinguished line of Finnish bases to have made their mark as Daland. The voice is large and flexible, and there is never a hint of caricature. Bernd Weikl, dressed more like a Spanish nobleman than a Dutchman, seemed to dream his way through the part.

Julia Varady's Senta was characteristically intense and feminine. There may not be much push in the lower register, but lines like "könnt ich trost dir bringen", sung with a thread of voice, show what a powerfully expressive singer-actress she is.

**Andrew Clark**

# Music on the South Bank

The Alban Berg Quartet have renewed their South Bank contract as a "resident" ensemble, which is good news, and on Sunday they gave their first concert of the current season in the Queen Elizabeth Hall. An odd programme – two little Mozart flute quartets (with a distinguished flautist, Aurèle Nicolet) stuck between gritty, neo-Expressionist quartets by Schnittke and Wolfgang Rihm; and further unbalanced by replacing one of the advertised Mozarts – his one "mature" flute quartet, the A major K. 298 – with the dubious confection in C, K. Anh. 171. Though Nicolet is always rewarding to hear, it really is time that the South Bank management asked itself how often it can sell one programme and then let a different one be played.

Composed for the Alban Berg team, Rihm's Quartet no. 4 proved to share several features with the Schnittke Fourth. Each sets the darker viola-and-cello duo grimly against the violin pair, makes histrionic points where the musical progress is arrested by aggressively repeated chords or single notes, prescribes a sour, exaggerated *vibrato* for this or that voice, slips comfortingly into an older mode which is then subverted – Russian chorale near the end of the Schnittke, a lyrical post-Romantic episode in Rihm.

Not for the first time, Rihm put me in mind of the playwright Howard Brenton: plenty of curdled bile, not much structure beyond what he sets out to undermine anyway. Rihm, however, is briefer and more quizzical than Schnittke *or* Brenton. His musical material is developed within tight, audible constraints, and against that the "irrational" interruptions acquire their force by baleful contrast. The effect is prickly and truculent, as if the composer were jeering at ordinary quartet-expectations without offering a new form.

There are stronger Rihm pieces, more persuasively black – but for this Fourth Quartet, despite its dedication, I doubt that the ultra-civilised Alban Berg players are the right people to characterise the angry too-muchness which is its fiercest and most heartfelt suit. Schnittke suited them better. What drives *his* Fourth Quartet (new last year) is honestly despairing passion, very much in the line of Shostakovich: in detail often crudely written, and with obvious magpie-borrowings, but charged with feeling that the Berg team knew how to capture with intense sympathy. It was a searching enough performance to wring out of the score everything that it's worth.

★

For Stravinsky-lovers and many others, the announcement of a live performance of *Les Noces* causes a twinge of excitement. It needs four pianos, a lusty chorus prepared to work hard at their phonetic Russian, and – because the tricky rhythms are so exposed – a lot of rehearsal time so it isn't heard often. The Royal College of Music announced it for their South Bank concert on Thursday at the QEH, with a sturdy quartet of established solo singers.

It didn't happen. Instead, the conductor Edwin Roxburgh conducted Messiaen's *Couleurs de la Cité Céleste*, with the pianist Neil Roxburgh as soloist. (I wonder whether they might by any chance be related?) It was an intelligently paced performance, with Roxburgh-the-pianist dispatching his part expertly, a very good trombone quartet and a pretty good clarinet trio. But it isn't so many months since the London Sinfonietta mounted a superlative account of the piece in this same hall; by comparison Thursday's was commendable student-work.

The same things were true of Stravinsky's Octet, which introduced the concert: it was clear and accurate, slightly under-tempo, and too innocent to deliver the sharp elbow-thrusts that make it a rumbustious comedy. Luigi Nono's 1979 *hommage* to Luigi Dallapiccola – all percussion and electronics – had genuinely affecting moments, but the continuous sound-halo it needs kept flickering out.

The ingenious dovetailing of electronic passages with live playing in Magnus Lindberg's *UR* was neatly realised, and the live soloists would have carried their weight to excellent effect – had the electronic component not been allowed to swallow them up for the first third of the piece. Its "primeval" pretensions (the "Ur" bit) are, however, mere fictions: this is an earnestly sophisticated IRCAM product. The RCM strings, with cembalom and percussion, did eager justice to Henri Dutilleux's recent, richly various *Mystere de l'instant*, so called because he thinks it a sequence of unrelated *trouvailles*. Another fiction; for Dutilleux is incapable of stringing together, in his narrowly personal vein, music which is anything less than cogently related and honestly suggestive.

**David Murray**

★

At the Royal Festival Hall on Friday the BBC Symphony Orchestra and its chief guest conductor Lothar Zagrosek introduced Jonathan Harvey's Cello Concerto, with the remarkable Frances-Marie Uitti as soloist. The work, a single movement lasting just over 20 minutes, was written for Ms Uitti, and is prefaced by a quotation from the *Mahabharata*: "What for each of us is inevitable? – Happiness". If it has a programme, says Harvey, "then it concerns man's relation to bliss (*ananda*): presence, absence, pathways to and from it".

Those pathways set the cello running with the orchestra, propelling it into scurrying figuration, balancing quarter-tone inflected melodies above slowly revolving textures, and spiralling off into meditations of its own. Then it is accompanied by a group of concertante instruments, a kind of electronic gamelan of metallic tuned percussion and synthesiser, in which the glittering, splintering textures hint at the sound world of Boulez's *Répons* and its IRCAM clones. But in Harvey's scheme they are just a means to another end, to lift the soloist away from its orchestral confrontations.

It is a careful balancing act, which is sustained well. If the programmatic point of the concerto remains elusive (though perhaps that's appropriate), its working-out contains more than enough arresting sounds and soloistic intricacy to keep the ear hanging on every bar.

**Andrew Clements**

# Warhola!

**OFFSTAGE DOWNSTAIRS**

The most indicative line in *Warhola!* comes at the end of the programme notes: "And thanks of course to Armitage Shanks for the toilets". Flushing and loos indeed are central to the piece. So are tape recorders, telephones and vacuum cleaners.

In the background there is a can of Campbell's condensed black bean soup. For this is the world of Andy Warhol, whose original surname was Warhola.

*Warhola!* is not exactly a play, but more a monologue conducted on the telephone. Character B, played by Prunella Gee, talks and talks from her apartment on one side of the stage to character A (Andy Warhol played by Snoo Wilson), who listens and occasionally grunts on the other.

This is one of the few times when one has wanted to congratulate an actress for remembering the lines. Ms Gee has a veritable torrent, nearly all about cleaning and flushing.

The piece opens with her sitting on the loo where she manages to smoke, carefully dropping the ash down the pan, and use the phone. Oddly enough, there is nothing terribly off-putting about this. Ms Gee wears red knickers and an apron advertising soup. The set is bright and clean like a Warhol painting.

B spends most of her time explaining how she keeps it that way. It is not just the cleaning, she says, but the sorting out. For example, nothing in her files should be labelled "miscellaneous", yet there are always bits and pieces which defy being categorised.

She is as obsessed with cleaning her body as with vacuuming her apartment.

The best means of disposing of what she does not want is to flush it down the loo, though that can lead to problems such as, for instance, the hypodermic needles refusing to go down. It can also lead to opportunities. B likes to "polaroid" the water as it surges before the garbage disappears.

Sometimes the picture comes out looking remarkably like modern art. Indeed one of the few times A stirs from his chair is to have a go at doing the same thing himself.

A records the telephone calls, just as we learn B has recorded every time that she has had sex since 1968: the telephone is, of course, a substitute for sex.

It ought all to be rather nauseating, but is not. Snoo Wilson is a superb Andy Warhol in a virtually non-speaking part. The piece comes from a chapter in Warhol's book "The Philosophy of Andy Warhol". It is produced by Chris Pickles and, as a curiosity, is worth seeing.

**Malcolm Rutherford**

Alastair Muir

Prunella Gee and Snoo Wilson

# Ravel's L'Heure and L'Enfant

**NEW YORK CITY OPERA**

Three years ago, Glyndebourne presented a double bill of Ravel's *L'Heure espagnole* and *L'Enfant et les sortilèges*, produced by Frank Corsaro and designed by Maurice Sendak. It was not much liked. The New York City Opera, however, must have perceived some merit in the show: this season it recreated the bill for a run of ten performances in eight days, with alternating casts.

While disliking and deploring Corsaro's and Sendak's contributions, I didn't find the evening totally unbearable. Guido Ajmone-Marson secured delicate orchestral playing, and across the two casts there were some good singers. Anna Steiger's Concepcion was vivaciously and merrily sexy. Jan Opalach, a sonorous but somewhat pompous singer, was a natural for Don Inigo. Virginia Sublett's Nightingale soared sweetly. Jonathan Green, a telling Torquemada, Arithmetic, and Frog, sounded as if he had studied Hugues Cuénod with profit. He was telling. He and Miss Steiger made a case for the original-language performances; the French of others sounded far back in the mouth, not out on the lips.

And the audience, reading supertitles rather than listening, laughed at projected jokes before the singers had made them.

Corsaro's additions to *L'Enfant* – the birthday party for the Child's little sister, the Papa who takes Maman away from Bebe and then doubles as Tomcat, making lascivious love to Maman/Cat while Bebe watches – added an Oedipal whine to Colette's clear-eyed, wise, and moral libretto – the whine of the child, or grown man, who seeks to transfer blame for his unhappiness and bad behaviour onto those who brought him up. Sendak's imagery, in both operas, is more comic-book than elegant.

All the same, the operas gave one something to listen to and something to think about, if not to admire. It is probably better to be irritated, angered and challenged by a Corsaro than to be bored by a Copley. Better still to encounter a Peter Hall *Salome*, a Peter Sellars *Giulio Cesare*, a David Pountney *Rusalka*, where composer, librettist, and (despite everything) producer seem in performance to work as one.

**Andrew Porter**



## ARTS GUIDE

December 7-13

**OPERA AND BALLET**

**London**

Royal Opera, Covent Garden. A new production by Adolf Dresen of *Fidelio* conducted by Christoph von Dohnanyi.
English National Opera, Coliseum. *Cosi fan tutte*, in John Cox's stylish 1980 production. Further performances of the new double bill – Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi* – conducted by Charles Mackerras.
Ballet. The Royal Ballet presents a new double bill at Covent Garden; also *La Bayadère*.

**Paris**

Josef Nadj and his Théâtre jel come with asurrealistic premiere of *Comedia Tempio*. Théâtre de La Ville (42742277).
Choreography by Balanchine, Lubovitch, Garnier, Kylian to music by Stravinsky, Pacher and Janáček. Opéra Palais Garnier (47425371).
Opéra. Plagued by strikes, the controversial opera's *Otello* production is followed by *Figaro's Hochzeit* conducted by Gabriele Ferro. Bastille Opéra (40011616).

**Brussels**

Koninklijke Vlaamse Opera. Royal Flanders Opera in *Van Gogh, Un Malheureux vetu de noir* by Jan van Vlijmen, conducted by Reinbert de Leeuw. (03-233 66 85).

**Antwerp**

De Singel. Monnaie Opera in *Mefistofele* by Arrigo Boito (concert version), conducted by Emil Tchakarov. (03-248 38 00).

**Amsterdam**

Muziektheater. Netherlands Opera in a co-production with the English National Opera of Verdi's *Un Ballo in Maschera*, diretced by David Alden. The Netherlands Philharmonic is conducted by Michael Hálasz. The National Ballet presents *Swan Lake* choreographed by Van Dantzig and Van Schayk after Petipa/Ivanov (255 455).

**Barcelona**

Gran Teatre del Liceu. Uwe Mund conducts Wagner's *Die Walküre*, with a cast led by Montserrat Caballe and Johann Meier. Ends December 17 (412 14 65).

**Rome**

Teatro Dell'Opera. Season opens in style with a new production of *Tosca* by Mauro Bolognini. Luciano Pavarotti sings Cavaradossi to Raina Kabaivanska's Tosca, with Ingvar Wixell taking the part of Scarpia, conducted by Daniel Oren (80.91.26).

**Naples**

Teatro San Carlo. Season opens with an old favourite, Mascagni's *Cavalleria Rusticana*, with Shirley Verrett, celebrating the centenary of the opera's first performance, teamed with a film, *Rapsodia Satanica* by Nino Oxilia to Mascagni's music (7972412).

**Milan**

Teatro Alla Scala. Riccardo Muti opens the new season conducting Roberto de Simone's production of Mozart's *Idomeneo*, designed by Mauro Carosi. (72003744).

**Venice**

Teatro La Fenice. A co-production with the Teatro di Montecarlo of Pier Luigi Pizzi's production of Verdi's *La traviata*, conducted by Roberto Abbado. (5210161).

**Berlin**

Opera. *Fidelio* in Jean-Pierre Ponnelle's production. Also *Götterdämmerung*, part of the successful Götz Friedrich Ring cycle and *Tristan und Isolde* returns with Gwyneth Jones and Rene Kollo. Also a Christopher Bruce ballet evening and *Hänsel und Gretel*.

**Hamburg**

Opera. *Idomeneo*, *Die Hochzeit des Figaro*, *Lohengrin* and *Die Zauberflöte*.

**Cologne**

Opera. *La Bohème* has Nova Thomas, Faith Esham and Fernando de la Mora. *Die Zauberflöte* is a well done repertoire performance. Also *Hänsel und Gretel*.

**Bonn**

Opera. *Rigoletto* in Graham Vick's wonderful production. Also *Ariadne auf Naxos*.

**Frankfurt**

Opera. Kurt Weill's *Aufstieg und Fall der Stadt Mahagonny* in Arie Zinger's interesting production. *Macbeth*, conducted by Frankfurt's director Gary Bertini has Rosalind Plowright as Lady Macbeth. Gluck's rarely played *Iphigenie en Tauride* rounds off the week.

**Munich**

Opera. *Cav and Pag* are sung by Grace Bumbry, Gudrun Wewezow and Ermanno Mauro. Also *Dantons Tod* and *Der fliegende Holländer*. Further offered *Hänsel und Gretel*.

**New York**

Metropolitan Opera. John Copley's new production of Rossini's *Semiramide* conducted by James Conlon, who also conducts *Salome* in Nikolaus Lehnhoff's production. Julius Rudel conducts Dino Yannopoulos's production of Giordano's *Andrea Chenier*. (362 6000).
New York City Ballet. *The Nutcracker* takes over for its annual appearances. New York State Theatre, Lincoln Center (496 0600).

**Chicago**

Lyric Opera. Tatiana Troyanos has the tile role in *Carmen*. Leo Nucci sings the title role of *Rigoletto* in Sandro Sequi's production conducted by John Fiore. Civic Opera House (332 2244).

**Washington**

Washington Dance (Terrace Theatre). Local choreographers/dancers in the fifth annual celebration of Washington dance (Thur). Kennedy Center (467 4600).

SALEROOM

# Silver sells well in Monaco

Sotheby's and Christie's were busy trying to make money in Monaco over the weekend, with Sotheby's holding six auctions and Christie's three. They provided a good run down on the current demand for antiques, with silver still doing very well while pictures fared badly.

Sotheby's sold a pair of silver tureens made by Robert-Joseph Auguste in Paris in 1771 for £510,736, (below forecast) in a silver auction which was just 4 per cent unsold. In contrast Old Masters were 40 per cent bought in, and 19th century pictures, 53 per cent. Highest prices were the £385,889, over twice the estimate, paid for "Jesus washing the feet of the Disciples", by the 16th century Ferrara artist Garofalo, and the £340,000 which secured a watercolour by Gericault of Colonel Bro in action in Saint Domingo. In the furniture (29 per cent unsold) a bureau-plat of around 1735 by François Lieutaud just hit its forecast at £226,993.

Christie's Old Masters were 40 per cent unsold, but a tranquil Dutch scene of windmills by Albert Cuyp sold for £113,265. Among the 20th century furniture two "Totems Cubistes" by Gustave Miklos went within target at £168,367.

Christie's was quite pleased with its Chinese sale in London yesterday which brought in just over £1m in the morning session with 33 per cent unsold. Blue and white Ming hold its traditional appeal and a pear shaped bottle vase of the 15th century, a rare shape for this period, far exceeded its £150,000 top estimate at £374,000.

**Antony Thorncroft**

In Paris, writes Nicholas Powell, the sale of 308 lots of haute couture dresses in the Théâtre des Champs Elysées on Monday, dating from 1859 to 1989, organised by Nerat-Minet Coutau-Begarie proved a serious disappointment, totalling Frs3.9m (£390,000), with almost 50 per cent in terms of value bought in. Unsold lots will be re-auctioned sometime next spring.

Designer Azzedine Alaia bought a 1948 evening dress by Charles James, described by the expert for the sale, Mary Vandoyer, as "one of the most sculptural masters of couture this century" for Frs190,000 (£19,309), well above its estimate. Chanel purchased one of its ball gowns of 1957 in satin and cerise lace for Frs60,000 (£6,098), and a buyer for Yves St Laurent acquired a YSL 1967 evening dress in black and beige silk muslin for Frs30,000 (£3,060).

A 1948 Christian Dior evening dress in pink organza also fared well, going to a Japanese bidder for Frs20,000 (£2,040). But a Paul Poiret evening wrap of 1910 reached only Frs58,000 (£5,894), well beneath its estimate, and a 1885 ceremonial dress by Worth, reached a mere Frs60,000 (£6,098).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday December 11 1990

# Poland's new president

THE THEORY that Poland acquired a special democratic maturity during the ten year struggle of Solidarity against the communist system has taken a severe knock during the course of the presidential election campaign.

In the first round the electorate rejected the prime minister, Mr Tadeusz Mazowiecki, and voted Mr Stanislaw Tyminski, a previously unknown Polish-Canadian businessman with no previous experience of domestic politics into second place. In Sunday's second round nearly half the voters stayed at home. Many of those who gave Mr Lech Walesa his 75 per cent majority did so without enthusiasm and mainly to prevent Mr Tyminski winning by default.

At the very least the elections have shown a disenchantment with the way politics and the economy have developed in Poland since the communist regime was swept away in August last year. The low poll also reduces the strength of Mr Walesa's mandate and will make it more difficult for him to justify the sort of free-wheeling role he originally envisaged for himself.

These are factors which Mr Walesa will have to take into account as he prepares to take over the post held until now by General Wojciech Jaruzelski, the stiff, enigmatic, but in his own way dignified communist general, who imposed martial law in 1981 to save Poland from a feared Soviet invasion and stayed long enough to preside over the re-birth of democracy.

## Popular tolerance

Mr Mazowiecki fell from grace largely because he, and the government he led, failed to retain popular tolerance for the sacrifices required if Poland was to transform itself into a functioning market economy. Hoping for a three-year political truce to get reforms under way, the Mazowiecki government and its Solidarity advisers failed to address the resentment over the way that many of the old communist nomenklatura appointees retained jobs, influence and the ability to exploit the new freedoms.

On both accounts Mr Walesa was the government's leading critic. He has promised to get Poland moving faster and to remove the last vestiges of the old system by acting as a presidential goad, prodding future governments into action.

It is a vague and populist formula. Something more concrete is required to reassure foreign investors about Poland's long-term stability. The country also needs a steady hand to introduce the prosaic-sounding, but vitally important, new laws and institutions that will pave the way for Poland's entry into the European Community.

Until now that steady hand has been provided by Mr Leszek Balcerowicz, the finance minister, whose IMF-backed stabilisation plan managed to curb hyper-inflation, restore credibility to the zloty and open up foreign trade.

## Shaky base

The problem is that these achievements rest on a shaky base. Inflation is rising again and will rise further in the New Year, when Poland, like other Comecon countries, will have to pay world prices for oil. Unemployment is also expected to reach 2m next year, adding to the unpopularity of whomever is in power.

Under these circumstances Mr Walesa's main function must be to use the as yet undefined powers and prestige of his new office to help select a competent government dedicated to seeing Poland through the difficult stage of transition.

Such a government would probably have to include Mr Balcerowicz, to ensure western confidence. Mr Walesa would then have to support the painful economic policies that undermined the Solidarity government.

Grudging support would be worse than useless. Mr Walesa was right to complain that the old government did not do enough to wheedle and cajole Poles into accepting that economic dislocation, and an end to old privileges, were unavoidable parts of freeing up the energy and resources of Polish society. Now he has the power and the position to explain these realities and help consolidate opinion behind the future government.

Meanwhile, the west also has an interest in the stability of Poland and other east European countries. Some creditor countries have already recognised this by cancelling debt. Keeping markets open for east European exports is another practical way of helping Poland and others in the difficult times ahead.

# The limits of confidentiality

THERE can be no mistaking the UK's determination to crack down on money laundering. Yesterday's guidance notes represent the third non-statutory initiative in which the UK has been involved in this area over the past year or so, to say nothing of four statutes which touch on the financial proceeds of crime. And that is not the end of the matter. The guidance notes are shortly to be extended beyond the banking system into insurance and investment, and by the end of the year the EC will produce a directive of its own.

The intentions behind all these measures are to be applauded. Money laundering is a practice which aids particularly obnoxious criminals, such as terrorists and drug-runners, and much can be done with an alert and efficient banking system to hamper if not throttle their activities.

One has to question, however, whether the authorities' zeal is not in danger of becoming excessive. A successful campaign against money laundering depends heavily on the co-operation of the banks, and that in turn raises questions about the role of banks and the limits of banking confidentiality, particularly in countries like the UK where this is not enshrined in statute as a right.

English anti-laundering law places an important responsibility on banks to report suspicious money transactions. Indeed banks could expose themselves to charges of complicity if they fail to do so. In addition, the Bank of England has threatened to revoke the licences of banks which fail to install effective monitoring systems and train their staff.

## Combined weight

The combined weight of these strictures must push banks into casting a wider net of suspicion than they might otherwise do, if only to be on the safe side. According to the authorities, innocent bank customers have nothing to fear because investigations will quickly establish that their affairs are legitimate. However the police also said yesterday that only one in five of the reports they customarily receive actually creates a new case or contributes to an existing one.

It is not surprising, therefore, that the UK banking industry was careful to define the limits of confidentiality in the voluntary Code of Practice which it issued last week. These limits specifically include cases "when they suspect that a customer is involved in drug trafficking".

## Money laundering

The authorities need to supply more evidence that the string of measures they are introducing is commensurate to the size of the problem. The Bank of England was unable yesterday to provide any statistics to support its contention that money laundering is a serious problem in the UK. The only figure available is that provided earlier this year by the Group of Seven task force on money laundering. They estimated the global figure at $85bn a year, but admitted that this was more of a surmise than a reliable calculation.

We may naturally assume that London's role as one of the world's largest financial centres must make it a natural channel for a part of this. But it is equally likely that drug runners will prefer to try and launder their funds through less transparent and less well regulated centres. In some of these centres the UK authorities have the ability to influence the quality of regulation and should be seen to do so.

Recent initiatives affecting London should certainly not be reversed. If the City is less conspicuous as a money laundry, the credit must go to effective regulation. But a careful balance needs to be struck between the interests of law enforcement and the rights of bank customers, and of the banks themselves which should not be forced into playing the role of policemen. An effective anti-laundering campaign also needs to plug as many loopholes in the banking system as possible. This is why these initiatives need to be applied just as rigorously to smaller offshore centres.

Receivers have been called in at Australia's Fairfax group. **Kevin Brown** examines the tortuous events that led to its collapse

# Family feud brings down a dynasty

Shortly after the global stock market crash of October 1987, 26-year-old Warwick Fairfax sat in the penthouse suite at Sydney's Regent Hotel, trying to decide whether to go ahead with a A$2.1bn bid for Australia's most influential newspaper group. In the lobby, Lady Mary Fairfax collared an assistant manager and sent him up to say she wanted to see her son. Warwick sent him away. Nettled, Lady Mary wrote a note urging the bid be dropped. Warwick threw it into the waste-paper basket.

In a subsequent court case, the humourless Warwick unintentionally raised a laugh by observing "it was often difficult to have a short conversation with my mother". But his behaviour towards her was the point of no return for a man who believed he had a mission to rescue the family business from the control of relatives he thought incompetent and stupid.

From that day on, Warwick was committed to a bid which shattered the façade of unity in one of Australia's leading families, and squandered his own fortune while enriching his despised relatives. Warwick's target was the John Fairfax group, publisher of a host of important newspapers and magazines, including the Australian Financial Review, The (Melbourne) Age, and The Sydney Morning Herald, the country's oldest daily.

He achieved his goal by paying a price only a fool would have refused. For three years he virtually ignored the group, living mostly in Chicago, and concerning himself with prayer meetings run by a US-based fundamentalist Christian group. He is not even a regular reader of the newspapers he fought so hard to control. Yesterday, as the group went into receivership at the request of its directors, it appeared that Warwick, the fifth-generation of Fairfaxes to run the Herald, could be the last.

The Fairfaxes did not found the Herald, but they have substantially or wholly owned it since the original John Fairfax, a printer from Warwickshire and a God-fearing descendant of Lord Fairfax, a parliamentary general in the English civil war, bought a half share in 1841. By 1930, when Warwick's father Sir Warwick Fairfax became chairman, the recipe had transformed the family into wealthy Australian aristocrats. To many Sydneysiders they looked like home-grown versions of famous English newspaper families like the Berrys, the Astors and the Rothermeres.

The difference was that the Fairfax money was older, and the family pedigree longer. The Fairfaxes had enormous political clout, both at state and federal level; they were pre-eminent in Sydney society; and they were also commercial leaders, both as proprietors of a leading business and through directorships of companies such as the AMP Society, Australia's leading insurance and investment group, and the Bank of New South Wales, now known as Westpac Banking Corporation.

Sir Warwick rarely interfered directly in editorial matters, but he expected the newspapers to support Christianity, the monarchy and property rights. Nobody knows whether Warwick shares his father's views because he did not discuss them with his executives, and has never given an interview.

He grew up a lonely only child, rattling around in Fairwater, his father's Sydney waterfront mansion, with only the daily trip to school by Rolls-Royce to enliven his days. Like his father and grandfather, he went to Balliol College, Oxford, and then worked briefly in the US for Chase Manhattan Bank before going to Harvard to do an MBA. As a young man he was extremely reserved, more interested in religion than business, and apparently indifferent to the trappings of wealth.

But Warwick nursed a private grievance, and a secret ambition. For he had grown up in an atmosphere of bitterness generated by the sacking of his father as chairman in 1976 in a family coup led by James Fairfax, Sir Warwick's son by an earlier marriage, and John B Fairfax, Warwick's cousin. Ironically, the crucial block of shares which ensured Sir Warwick's defeat was held by James under a trust arrangement through which they would eventually have been inherited by Warwick.

Sir Warwick died in January 1987 while his son was at Harvard. When he came home for the funeral, Warwick did not like what he saw in the business. Stock market takeover activity was at a peak, and Warwick convinced himself that the company which had been taken from his father by the family was now vulnerable to a takeover by outsiders. He was worried about the late Robert Holmes à Court, then one of the most feared corporate raiders in the world. Rupert Murdoch and Kerry Packer, both Australian media owners, were also on his mind.

Adding up the shareholdings Warwick found that the family controlled only 48.6 per cent of Fairfax shares. When James and John refused his urgings to buy a further 1.5 per cent to ensure control, Warwick did it himself, borrowing A$30m from the Midland Bank for the purpose. Theoretically, the purchase made Fairfax impregnable as long as the family voted together. But Warwick had a problem. Although he was worth about A$500m based on his rights to inherit shares and property, he had no significant income, and no way of paying the interest on his loan. The only way out was to gain control of Fairfax, and with it the cash flow to pay his debts. Several merchant bankers told Warwick that it could not be done without a powerful joint venture partner, which carried the risk of losing control of the company.

There was one man, however, who thought he saw a way. Laurie Connell was a Perth businessman who had taken over a small Queensland menswear company called Rothwells and turned it into an aggressive merchant bank. Connell's strategy was to borrow A$1.3bn to buy out all the non-family shareholders, then repay the debt by selling the Financial Review, a radio network and other assets, and floating 55 per cent of the subsidiary company which published The Age. The family shareholders would become minority owners of a company controlled by Warwick. Warwick's contribution was a steady stream of confidential papers from the Fairfax board, which he had been invited to attend as a guest after his father's death.

The bid was sprung on the family late one Sunday night in August 1987, only a few hours before the public announcement. Vic Carroll, a former editor of the Sydney Morning Herald and author of a forthcoming book* on the takeover, says Warwick made no secret of his contempt for James and John. "He thought they were stupid and they would fall apart if they were faced with a *fait accompli*," said Carroll.

But the family turned out to have no more taste for Warwick's leadership than he had for theirs. They not only accepted his bid, but forced it up to the point where the costs of the takeover ballooned to A$2.1bn. In the middle of negotiations, the stock market crashed and the Australian All Ordinaries Index fell to 1300 in the third week of October 1987, half its level in September.

Warwick could probably have pulled out under the provisions in Australian takeover regulations for bids to lapse in extraordinary circumstances. He decided at the Regent Hotel meeting to press on, believing the crash would help the bid by making small shareholders more keen to sell. He was right, but the crash wiped out most of the deals Connell had done to recoup the costs by selling assets to Holmes à Court, Packer and Murdoch, and forced the cancellation of the plan to float The Age.

The takeover had succeeded, but from then on, everything went wrong. Rothwells collapsed and had to be bailed out by, among others, Alan Bond and the Western Australia state government. Senior Sydney Morning Herald journalists walked out in protest at new managers installed by Warwick. National Australia Bank and Westpac brought a court action claiming any funds raised through asset sales should be used to repay existing Fairfax debt.

Warwick decided the advice he had received from Rothwells was not worth the A$100m agreed fee. Alan Bond, to whom Connell had assigned the debt in exchange for immediate cash, brought a court action for payment. In the middle of all this, Robert Maxwell, the UK newspaper proprietor, offered A$850m for The Age, but the offer was dropped by Fairfax after Paul Keating, the federal treasurer (finance minister) indicated it would not be allowed to go through.

All sorts of potential purchasers were circling the Financial Review, including Pearson, the UK conglomerate which owns the Financial Times. But nobody who was acceptable would pay enough to clear Fairfax's debts. Finally, Citibank agreed to lend A$500m to take out Westpac and National Australia Bank, leaving Fairfax short of about the same amount to balance the books.

The saviour was William Simon, a US merchant banker who had been treasury secretary under presidents Nixon and Ford. He put Warwick in touch with Michael Milken, the junk bond king at Drexel Burnham Lambert who was recently sentenced to 10 years in prison for US securities violations. With the aid of US$450m in junk bonds, Warwick had sufficient cash to pay for all the shares he had bought. He settled out of court with Alan Bond for about A$37m. James Fairfax walked away with A$163m, John Fairfax and his father Sir Vincent with A$306m.


When Warwick moved in to the Fairfax boardroom in December 1987, the John Fairfax group owed A$1.2bn to ANZ and Citibank, and US450m to US bond holders. Warwick hoped that revenue would grow so fast under the new management that the debt could be repaid from increasing profits.

For a while the strategy appeared to be working. But as the Australian economy headed into recession this year Fairfax revenue growth slowed, and the group admitted that it might start breaching its loan covenants by December. The board ordered a series of reports from merchant bankers. They concluded that the company was worth between A$1.1bn and A$1.2bn, implying negative net worth of between A$600m and A$700m. But when the board tried to put together a refinancing deal involving the reduction of Warwick's equity to a nominal 5 per cent, Warwick sacked the board, appointed a new one, and took over the helm himself.

For the past couple of months he has been talking to US and Australian bankers, seeking the elusive refinancing which would both keep the company afloat and maintain his control. By last Friday it is believed that there were no firm offers on the table. Potential suitors could include Kerry Packer, who would have to sell all or part of his Channel Nine television network to meet cross-ownership regulations; Rupert Murdoch, who would have to sell or close The Australian and his other newspapers in Sydney and Melbourne; and Tony O'Reilly, the US-based Irish chairman of Heinz, who might be able to buy through his Australian children.

Other bidders for all or part of the empire might include Hudson Conway, Pearson, and various US newspapers, although all would need a majority Australian partner. Trevor Sykes, editor of Australian Business magazine and author of a book** on the takeover, doubts that the banks will decide to liquidate the company and sell the assets. Yesterday, receivers confirmed their desire to maintain Fairfax as one entity and to continue all its current business activities.

When Warwick launched his bid he was congratulated by Rupert Murdoch, who said he wished he *had* had the guts to do something like it at 26. Sykes sees Warwick as a victim of destiny, pushed forward by his humiliated father and ambitious mother. "It became his lot to retake the citadel on behalf of his branch of the family," he says. Others, like Max Suich, a former chief editorial executive of Fairfax, take a more critical view. "This is not a tragedy," he says. "It is a story of a greedy kid who made a mistake."

** The Man Who Couldn't Wait, by Vic Carroll, William Heinemann Australia; ** Operation Dynasty, by Trevor Sykes, Greenhouse Publications.*

# OBSERVER

## Emperor's new clothes

■ Brazil's energetic president Fernando Collor has found a new way to counter criticism of his government's anti-inflationary policies – through the slogans on the T-shirts he wears for his regular Sunday jog in front of the massed Brazilian media.

The latest slogan was in Latin but left no room for doubt: "Ad Augusta per Angusta" (the only way out is through sacrifice). It came in response to a week of criticism over the deepening recession.

The previous Sunday's slogan was even less subtle: "The time and the man are right". That followed a week in which the government's leader in Congress resigned, accusing Collor of acting like an emperor.

His stunt is not just cheaper but more effective than the government's new television advertising campaign against the inflationary culture bred by 10 years of steepling prices.

The first ad was meant to drive home the government's argument that business profit-margins are abusive. It showed a woman shopping for a tv set and being quoted prices for the same model that vary by 100 percent. In the end, bewildered, she decides to make do without one.

Unfortunately the wrong message seems to have been received. Instead of shopping around and boycotting high-price suppliers, the Brazilian public have evidently concluded that they are being officially warned against buying tv sets at all. The chief of a shopping mall in Sao Paulo, for instance, reports that sales of them have slumped to nothing.

The second ad in the campaign tells viewers not to buy Christmas presents, but give Christmas kisses instead – which, with industrial activity already 8 per cent down before the ad appeared, seems apt to redouble business people's hostility to the Collor administration. The emperor, they say, is going to need more than new clothes to make his policies succeed.

## El Majo

■ John Major has planted the seeds of free enterprise in an unlikely spot. It is Candeleda, a sleepy hamlet nestling against the granite peaks of the Gredos Sierra in central Spain, where Britain's prime minister has spent the last two summers in the country home of Mariano Garrigues, father-in-law of Tristan Garel-Jones, minister of state at the foreign office.

Marcelina Rodriguez, who cooked for "el turista ingles" and his family, is making bread from cheque-book journalism. For £250 or so, for example, she reveals that Major has a healthy appetite for the local chick-pea stew, and that "although he doesn't speak Spanish he is so intelligent that he understands everything I say".

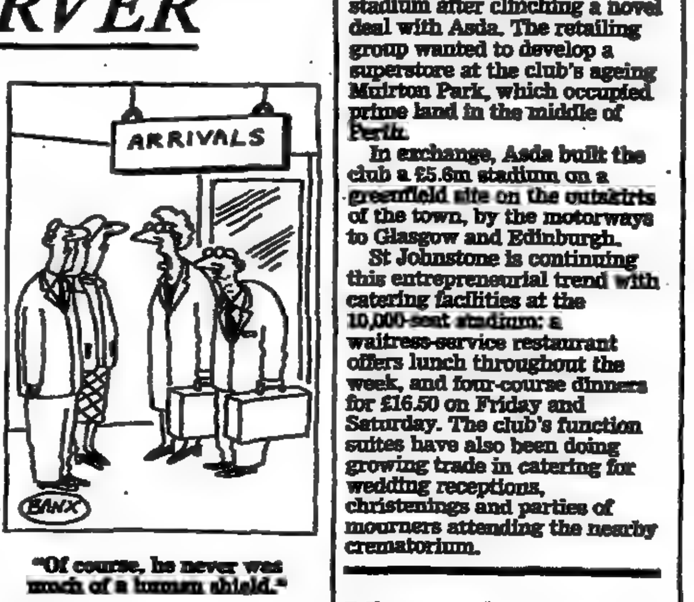
By Marcelina's account, it is not only the PM who deserves the title "majo" – the very nice one.

The Spanish media have also recorded that Norma Major helped in the kitchen and that, come the evening, the pair of them walked about Candeleda "as if they were ordinary people, saying hallo to everybody."

## Reformer goes

■ The French stock exchange is to close a chapter of its history with the resignation of 42-year-old Régis Rousselle, its leader through three years of radical reform.

Having arrived in 1988 in a crisis his predecessor, Xavier Dupont, had to resign after the exchange was found to have squandered FFr614m of reserve funds speculating on the futures markets.




"Of course, he never was much of a human shield."

Rousselle feels his task is now complete. He has introduced market-making, capital ratios and a whole new rule book, as well as presiding over the introduction of a new electronic settlement system years ahead of London.

His job is to be split in two. Bruno de Maulde, chairman of the Crédit du Nord bank, is widely expected to be elected head of the Conseil des Bourses de Valeurs, the regulatory side. And Rousselle's current deputy, former finance ministry official Jean-François Théodore, will be proposed for the chairmanship of the Société des Bourses Françaises, which actually runs the market.

## Cradle to grave

■ St Johnstone, the Perth football club currently lying fourth in the Scottish Premier Division, continues to point the way ahead for its less commercial brethren in the world of soccer.

Last year the Saints became the first British club to have a purpose-built, all-seater stadium after clinching a novel deal with Asda. The retailing group wanted to develop a superstore at the club's ageing Muirton Park, which occupied prime land in the middle of Perth.

In exchange, Asda built the club a £5.6m stadium on a greenfield site on the outskirts of the town, by the motorways to Glasgow and Edinburgh.

St Johnstone is continuing this entrepreneurial trend with catering facilities at the 10,000-seat stadium: a waitress-service restaurant offers lunch throughout the week, and four-course dinners for £16.50 on Friday and Saturday. The club's function suites have also been doing growing trade in catering for wedding receptions, christenings and parties of mourners attending the nearby crematorium.

## Next exit

■ Meanwhile a reader has sent an addendum to my report on the Curse of Gazza, outlining the fate of several who had crossed the path of England's colourful footballer.

It is a list of last year's executive box holders at the Arsenal club, now second in the league south of the Border. It does not make pleasant reading.

The Levitt Group, Parkfield, British & Commonwealth, Bond Corporation and Continental Airlines, are to be found hobnobbing alongside such pillars of the business establishment as Barclays Bank and Enterprise Oil.

I hope these wealthy sponsors do not take fright on realising that the list of recent box-holders sounds increasingly like the roll of a corporate graveyard.

## Unlikely story

■ Which opera tells what happens when a karate expert meets a Russian girl who can't say no?

A-i-e-e-e-e Da.

# LETTERS

## Call for Gatt negotiators to consider Third World

*From Mr Clive Robinson.*

Sir, If your correspondent's judgment ("Gatt talks break up with row over EC farm reform", December 8) that last week's Brussels meeting of the Gatt Uruguay Round fell apart largely because of the EC's obstinacy over farm trade reform is correct, the outcome may at least have brought the benefit of a narrow escape for the future of farming in the Third World.

The compromise text on farm trade from Swedish farm minister Mr Mats Hellström (coyly described as a "non-paper" when it appeared on Thursday) was fundamentally flawed.

Like last June's proposal from the man he succeeded as agriculture mediator, Mr Aart de Zeeuw, it set out to treat developing country farming in just the same way as the over-productive model of the north. Under his proposal all countries would have to open their markets and cut supports to their farmers, with Third World countries allowed only a looser rein.

The unreported small print of the Hellström plan shows that the poorest developing countries, which can barely afford to subsidise their farmers, would still have been required to cut internal farm supports by at least 15 per cent.

The plan contains no guarantee that Third World countries would keep their right to maintain or introduce taxes or controls on cheap imported food, as Nigeria has done in cereals, in an effort to reach a more self-reliant basis for their food security.

Finally, the plan did not go far enough in tackling the problem of export dumping of farm products, for which the simple and effective solution is to ban all exporting at less than the costs of production.

There can be no just settlement of the farm trade dispute until negotiators face up to the distinction between the over-productive and trade-distorting export agriculture in the north and the efforts of food-deficit developing countries to achieve food security by offering incentives to their small farmers and lessening their dependence on the hazards of the world market.

Agriculture is the mainstay of economic activity and employment in developing countries and its protection there, far from distorting trade, is a precondition of their development.

The EC, though acting patently out of self-interest last week, may have brought an unintended blessing to more than 1bn small farmers in the developing world, by giving the negotiators more time to find a solution which preserves their right to feed themselves.

Clive Robinson,
*president,*
*Food Matters Working Group,*
*Liaison Committee of*
*Development NGOs to the EC,*
*c/o P.O. Box 100, London, SW1*

## When unpaid debt becomes reason to go to court

*From Mr T. P. St V. Picton Phillipps.*

Sir, Charles Batchelor's article ("Greater powers urged for chasing bad debts", November 13) on a report of the National Federation of Self Employed and Small Businesses, raises a number of interesting points.

In my experience many small firms are reluctant to take court proceedings to recover outstanding accounts from larger companies because "they are our best customer", or because "they will take their business elsewhere". So it would appear there is a distinct difference between the theoretical desire to make it easier to enforce payment, and the reality.

Let there be no mistake about it: a customer who does not pay on time cannot, by any yardstick, be a "good" customer, let alone "the best". Equally, if the supplier concerned has made the effort to ensure he is ahead of the competition, then he should not be afraid of losing a particular outlet.

As to the proposals made for dealing with the problem, I would suggest that they would not really improve the chances of recovery and would be unduly expensive.

At least two recent attempts have been made to persuade the government to introduce a statutory right to claim interest on overdue accounts without having to resort to legal proceedings. Neither was successful.

In this context, there is nothing to prevent the inclusion of such a right in the terms and conditions upon which a business trades.

On the issue of proceedings, interest at either the contractual rate, if any, or the statutory rate of 15 per cent can be claimed up to judgment in the county court.

It is anticipated that provision will be made next year for interest to be payable on county court judgments, as is presently the case in the High Court.

The solution is to have a tight credit control policy which incorporates an efficient channel to instituting court proceedings at an early stage. This need not be expensive nor need it lose customers if the position is made absolutely clear from the outset.

See a debt collecting solicitor.

T.P.St V. Picton Phillipps,
*Booth & Co Solicitors,*
*Sovereign House,*
*South Parade, Leeds,*
*Yorkshire*

## AT & T bid gives a picture of actions of US institutions

*From Mr Leo Herzel.*

Sir, Martin Dickson ("Investors wake up to their power", December 3) describes what some institutional investors in the US are saying these days about strong institutional investor interest in improving the governance of US companies.

However, AT & T's disclosure of its $90 per share offer for NCR illustrates what institutions are doing.

On Monday, the first day of trading after the disclosure of the AT & T offer, more than 5m NCR shares were traded and the price of an NCR share increased by $24.75 to $81.25. Tuesday's New York Times quoted Richard A. Schaffer, editor of the Technologies Computer Newsletter, who was conducting a conference on the personal computer industry which professional investors were attending, as follows:

"There are fund managers here that own millions of dollars of NCR stock that are just beaming," he said. "It has turned fund managers who looked boring for buying NCR stock into geniuses overnight."

It is very hard to see much long-term interest in corporate governance in these facts.

When there is a takeover bid, institutional investors' concerns with corporate governance still appear to be easily overwhelmed by the chance of making quick profits. And, when there is no bid pending, institutional investors' participation in corporate governance issues is dominated by opposition to anti-takeover measures. If there really is an excessive focus on the short term in US industry (as the FT appears to believe), the correction is unlikely to come through institutions, despite the talk.

Leo Herzel,
*Mayer, Brown & Platt,*
*190 South La Salle Street,*
*Chicago,*
*Illinois.*

## Meeting digital service demand

*From Mr Alan Knight.*

Sir, Your article on ISDN (Computer Networking Survey, November 20) rightly drew attention to the "undeniable demand for a high speed publicly switched digital service".

The UK however, is not as far behind the rest of Europe as your article would imply. British Telecom and our competitor have between us installed more primary rate connections than any other country in the world. BT's *basic rate service* is in the process of being implemented, with the aim of covering every leading business centre and high street within 18 months.

The pricing example quoted is incorrect; the rental tariff for Germany is per month and not per quarter as implied. Taking this into account, the quarterly charge for basic rate service in the UK is similar to Germany and considerably cheaper than in France.

Alan Knight,
*ISDN Programme Manager,*
*British Telecom,*
*2-12, Gresham Street,*
*London, EC2*

## Role of Yugoslav armed forces

*From HRH Crown Prince Alexander of Yugoslavia.*

Sir, Laura Silber ("Yugoslav minister threatens intervention by the army", December 4) portrays the serious situation regarding my country's transition to democracy.

The principle role of the armed forces is the defence of the integrity of the national territory. Mr Veljko Kadijevic (defence minister) finds that all persons that are anti-socialist are the enemy within and forgets that Yugoslavia has irreversibly embarked on the proven course of multi-party democracy.

The armed forces in a democracy are politically neutral. The founding of the general's party and Mr Kadijevic's refusal to de-politicise the army shows that the future of Yugoslavia is threatened both politically and economically. Yugoslavia along with all eastern European countries has lost 45 years and no more time must be wasted.

This month the final elections are taking place and then the dialogue to shape the future must commence, to prove that we are capable of responsible statesmanship. The world will be watching whether we can provide political and economic stability with aspirations to entering the European Community. I am in touch with the majority of the political parties in my country, and I have faith that we will reach the goal of a responsible democratic country.

Alexander,
*36, Park Lane,*
*London, W1*

## Getting shares to the people

*From Mr G. M. Hindes.*

Sir, That underwriters for the electricity privatisation were unnecessary (Letters, December 7) is not the full story. Why not give shares to all taxpayers and raise a sum equivalent to the disposal receipts through taxes. This would genuinely extend the scope of share ownership.

G. M. Hindes,
*47, Queenswood Road,*
*London, SE23 2QR.*

## Communications explosion brings demand for new phone numbers

*From Mr David Holmes.*

Sir, The need to expand the United Kingdom's telephone numbering capacity (Letters, December 4) arises primarily out of the demand for new numbers caused by the communications explosion.

A host of new services, ranging from mobile telephony to paging, fax, information and entertainment services, plus the expected growth of new operators as competition in the industry is expanded, all require more numbering capacity.

Our major concerns are that any change should be as simple and easy to understand as possible, to minimise inconvenience to customers, and give them plenty of time to plan and prepare and to create the flexibility needed to cope with expansion and growing competition in the future.

This is what we have done. Our proposals, now with Oftel, mean that the simple insertion of an extra digit in the telephone code will provide all the capacity the UK will need well into the next century.

Customers will be given at least two years, probably more, to prepare for a change.

Oftel is responsible for approving amendments to telephone numbering plans and they will therefore be making the final decision.

David Holmes,
*project manager,*
*British Telecom,*
*Euston Tower,*
*286 Euston Road,*
*NW1 3DG*

## No plan for boosting production of gold from the Soviet Union

*From Ms Natalya Zubareva.*

Sir, In response to Kenneth Gooding ("Higher Moscow gold sales 'need not cause price fall'", November 30), I would like to comment:

I appeared at the Gold Show as an independent researcher and the views I presented were my personal opinions. However, I would like to clarify several points with respect to the research study conducted by the Soviet Institute for Foreign Economic Relations. It was a broadly-based research study evaluating the role of Soviet gold production in world markets from many different perspectives.

Among the topics I discussed in my talk were our attempts to identify potential geographic shifts in world gold production as well as our evaluation of our future opportunities to develop a more active domestic and export jewellery industry.

In my presentation, I mentioned that we had analysed the potential market impact of various levels of gold sales, but I want to make clear that I was not discussing any actual plan to boost Soviet gold production. In fact, we do not have such a plan in place today. Further, I would like to make clear that I am not in any way responsible for current or future Soviet gold sales, a responsibility which falls to the Vnesheconombank.

Natalya Zubareva,
*senior researcher,*
*Institute for Foreign*
*Economic Relations,*
*Moscow*

## Defence of the hard Ecu raises questions of its working in real world

*From Professor Tim Congdon.*

Sir, Mr Paul Richards' defence of the hard Ecu ("More questions and answers on the hard Ecu", December 3) is to state that the new currency would have certain desirable characteristics because that is the way it is defined. In effect, the hard Ecu would be good because Mr Richards says it would be good. But he has still not explained how it would work as a currency in the real world.

In the final paragraph he asserts that "the exercise of market choice in favour of the hard Ecu would be one of the factors that member governments would take into account" in deciding when to move to a single currency. It is surely implied here that the quantity of hard Ecu would be determined by economic agents' decisions on whether to hold national currencies or the hard Ecu. This would accord with the government's emphasis on the gradual, voluntary and market-based nature of the hard Ecu proposal.

But earlier in the article Mr Richards expresses concern that the quantity of hard Ecu must not be allowed to grow too quickly, because that might endanger its anti-inflationary properties. He is therefore quite definite that the European Monetary Fund "would be able to control the size of its balance sheet". It would do this in two ways, by setting interest rates in hard Ecu and by requiring national central banks to repurchase national currencies from the EMF if economic agents had switched, to an "excessive" degree, from national currencies into the hard Ecu.

So, at one point in the article, the quantity of hard Ecu is to be determined by the free choice of the peoples of Europe, while at another it is to be determined by the EMF giving orders to national central banks.

What does Mr Richards really want? Does he want the use of the hard Ecu to be encouraged, hindered, encouraged up to a point, hindered when it is "excessive" or what?

Moreover, he has not answered a key issue raised in my earlier article (November 14) in this area. When he talks about the quantity of the hard Ecu does he mean the quantity of hard Ecu notes (or other liabilities of the EMF) or the quantity of hard Ecu deposit liabilities of commercial banks? The split is crucial to the conduct of monetary policy. In some statements (from Mr Richards, the Treasury and others) the EMF is allowed to issue hard Ecu liabilities only against the backing of national currencies, in order to prevent any addition to the European money stock.

In other statements, however, commercial banks are to be permitted to take hard Ecu deposits. If banks were to have this option, they would certainly want to be free to make loans in hard Ecu as well. But, if they did so, there could be an increase in the European money stock (i.e. of national currencies and hard Ecu combined) and the introduction of the hard Ecu might be inflationary. Again, an answer is needed. Is the hard Ecu to be issued only by the EMF? Or are banks to have the ability to make hard Ecu loans?

These questions are also relevant to the definition of the re-purchase obligations. Mr Richards says that were the EMF to acquire "excessive" holdings of national currencies relative to certain "pre-set limits", the EMF would require national central banks to buy back their currencies.

But how are the "pre-set limits" to be stated? Should they be solely in terms of the EMF's national-currency holdings or should they somehow recognise hard Ecu deposits in commercial banks, where these also have been created by substitution from national currencies?

It is surely the deposits which would pose the significant inflationary threat, if they became "too large".

Most of your readers may have already decided that the hard Ecu scheme is impractical and confused, and one of the strangest ideas ever to have been supported by the British government. They are right.

Tim Congdon,
*Lombard Street Research,*
*c/o Gerrard & National,*
*33 Lombard Street, EC3*

*FOREIGN AFFAIRS*

# A common defence for Europe

**Robert Mauthner** considers the need for defence arrangements ahead of the EC Rome summit

Once upon a time it used to be the "flat-earthers" who had the upper hand in intellectual arguments about the nature of the world. Today, it is the "one-worlders" who appear to have captured the high ground in discussions about the organisations best suited to guarantee mankind's security.

Defence has become almost a dirty word, associated with a bygone age when aggressive Russian bears roamed across Europe and threatened every living creature with their powerful jaws and sharp claws.

That particular threat, according to the conventional wisdom, has disappeared with the collapse of the Soviet and eastern European communist systems and the virtual disintegration of the Warsaw Pact. No doubt it has – in the short term. But can we take it for granted that it has done so for ever or that other threats, perhaps from a different quarter, but almost equally dangerous, will not replace it?

One does *not* have to be a cold warrior to answer that question in the negative on both counts. Unlikely though it appears that the Soviet Union – or its principal constituent parts such as Russia – will be in a fit economic or political state to launch an attack on anyone in the foreseeable future, its military *potential* remains enormous.

By 1994, the Soviet Union will have no more troops in its former eastern Europe satellites. But within Soviet borders, both its conventional and strategic nuclear forces, even after further reductions as the result of arms control negotiations, will remain very substantial.

So far, according to official western estimates, there has been only a small reduction in Soviet production of tanks, submarines and advanced military aircraft, not to mention nuclear weapons. Meanwhile, defence spending was still running until recently at something like 13 to 15 per cent of Gross National Product, on Mr Mikhail Gorbachev's own admission, with some Soviet economists claiming that this was a gross underestimate.

Since Moscow has also withdrawn a large amount of equipment, due to be destroyed under the Conventional Forces in Europe (CFE) treaty signed in Paris last month, to its own national territory, the precise effect of that treaty on overall Soviet military strength is still unclear.

All that can be said with any certainty is that the prospect of anyone launching a *surprise* conventional attack in Europe will have been virtually eliminated by the time the CFE reductions are implemented.

That leaves a lot of long-term uncertainties. The possible break-up of the Soviet Union, the revival of national and ethnic conflicts in eastern Europe and the unrest which could be provoked by mass east-to-west migrations, could again ignite regional European wars. In such turbulent conditions, the possibility that nuclear weapons might fall into "the wrong hands" and be used indiscriminately, is an even greater hazard.

Those are exactly the kind of situations, it is argued, which the Charter of Paris, signed by 34 nations a day after the CFE treaty, is intended to prevent or deal with. According to the participants, it signalled the formal end of the "cold war" and inaugurated "a new era of democracy, peace and unity in Europe". Big words and big intentions; but, for the moment at least, the revamped Conference on Security and Co-operation (CSCE) is no more than the embryo of the new European architecture.

Endowed with a small permanent secretariat, regular but infrequent ministerial meetings, a conflict prevention centre and an "office for free elections", the CSCE is a splendid forum for promoting east-west political consultations, negotiations on arms control and confidence-building measures and, not least, for ensuring the respect of human rights. Yet such a large and diverse organisation, the members of which, until very recently, belonged to adverse military camps, and which has to take decisions by consensus, can hardly provide the same level of security for its members as the defence alliances which, some claim, it is designed to replace. At least, not for a long time to come.

The question, therefore, is not so much whether Nato should be allowed to fade away, but how it can best be adapted to take account of the new post-cold war and post-CFE realities in Europe. One of the most obvious of these realities is that the US, though maintaining a reduced military presence on the continent of Europe, will undoubtedly play a less dominant role in any joint and, for the moment, still specifically western defence arrangements. The Americans, it is clear, will finally attain their objective of making the Europeans assume a bigger burden of the alliance's defence costs, but only at the price of seeing them play a more important role in policy and decision-making.

**The question is not so much whether Nato should be allowed to fade away, but how it can best be adapted to take account of the new post-cold war realities in Europe**

The creation of a European pillar of the Atlantic alliance, a concept first formulated by President John Kennedy, remained no more than a pipe-dream as long as the east-west confrontation required that the most powerful member of the western bloc should also be its undisputed leader. But it has, at last, become a realistic proposition as the result of the new east-west climate.

At a time when, in spite of Britain's lack of enthusiasm, the European Community is laying the foundations of an economic and monetary and political union, it would be natural and logical for Europe to develop a more cohesive defence identity. Defence, it is true, is not covered by the Treaty of Rome, but neither is foreign policy. It is hardly conceivable that the EC countries should have a common foreign policy while ignoring the security and defence dimension of European co-operation.

The fact that such an enterprise is full of pitfalls does not mean that it should not be tackled at all. The biggest potential stumbling block is the relationship between any European defence entity and the US, which would have to be carefully organised and husbanded if Washington is to maintain its commitment to the defence of Europe.

It is heartening that the latest proposals on the subject, those outlined by Mr Gianni de Michelis, the Italian foreign minister, a few weeks ago and by West German Chancellor Helmut Kohl and French President François Mitterrand in a joint statement last week, fully recognise the need for a step-by-step approach in such a sensitive field.

The nine-nation Western European Union, so long the sleeping beauty of western defence, until it was woken up to co-ordinate Europe's naval contribution to operations in the Gulf, would become the main vehicle for the development of a common European security and defence policy, together with the proposed European political union, under these proposals. Eventually, it could become part of the political union and develop a common security policy on its behalf, but no specific timetable is suggested.

Mr Willem van Eekelen, the Dutch WEU secretary-general, and a man who prides himself on keeping his feet on the ground, has gone a step further by proposing that the WEU, while maintaining its separate structure, could be put "in its entirety" under the European Council, the six-monthly gathering of EC heads of government.

The advantages of such a project are many. It would not upset present defence arrangements within the Atlantic Alliance. The WEU, with its historical connections to Nato and a largely overlapping membership with both Nato and the EC, is the almost perfect "crossroads" organisation. Above all, it would lay the foundations of a real European defence identity under the overall supervision of an intergovernmental body, the European Council, without opening the Pandora's box of national sovereignty, which so upset Britain on monetary union.

FINANCIAL TIMES
Tuesday December 11 1990



Transatlantic trade moves

# US ready to seek 200% duty on EC exports

By Nancy Dunne in Washington

THE US is preparing to charge 200 per cent duties on EC agricultural and beverage exports worth almost $420m (£219m) in response to last week's stalled Uruguay Round talks.

The sanctions, to be imposed for feed grain sales lost when Spain joined the EC, could be the first in a series of actions and counter-actions as the US and EC turn to transatlantic trade war to settle their differences. The retaliation could come as early as December 31. The White House has notified the General Agreement on Tariffs and Trade of its plans.

In an effort to head off new clashes, Mr Clayton Yeutter, US agriculture secretary, will meet Mr Ray MacSharry, his EC opposite number, in Brussels on Friday. At issue will be the EC enlargement dispute, the EC ban on pork and beef from US slaughterhouses and the US ban on EC wine containing the Japanese fungicide procymindone. The breakdown of the round has led to a US business outcry.


Ray MacSharry

Mr Joseph Connor, president-elect of the International Chamber of Commerce, said "the astounding failure of political will" had put "a question mark over the future of the existing multilateral trading system".

Mr Richard Gephard, US House majority leader, said he would give Gatt negotiators the "support" they need by introducing a new version of a controversial amendment he introduced two years ago. This one would put "pressure on our trading partners to open their markets to US products, and products from all over the world".

On the farm trade front, the EC has refused a US request for extension or renegotiation of the four-year agreement granting compensation for Spanish accession. That pact, to expire at the end of the year, committed the EC to buying 2.3m tonnes of foreign feed grains and feed-grain substitutes, mostly from the US.


Clayton Yeutter

The US has published a list of retaliatory targets. These would levy duties on imports of cordials and liqueurs, valued at $204m; mineral water, ($78m); vermouth and other spirits ($43.6m); artichokes, ($35m) and cheese ($16.5m).

Other sanctions could come later. The US meat and pork industries have filed a Section 301 unfair trade petition asking the US to impose sanctions on the EC for erecting a "blatant trade barrier" through the EC hormone ban and its meat safety regulatory regime against $250m worth of US beef and pork imports. The complaint allows the US latitude to negotiate and retaliate.

# Hurd signals support for European co-operation

By Robert Mauthner, Diplomatic Correspondent

BRITAIN yesterday announced strong support for a genuine European security identity and a plan to upgrade the long-dormant nine-nation Western European Union to become the main instrument for representing Europe's interests in the Atlantic Alliance.

Mr Douglas Hurd, British foreign secretary, virtually echoed Franco-German proposals on European security and defence co-operation, set out in a letter to European Community countries last week.

His statement, to a Berlin press conference, is seen as the most significant signal to Britain's EC partners since Mr John Major became prime minister that London would adopt a more positive attitude towards European co-operation at the forthcoming intergovernmental conference.

Mr Hurd, who emphasised that there was still a need for the west to insure itself against risks in spite of the diminished military threat from the east, said the best basis for western defence in the 1990s would continue to be the alliance between North America and western Europe.

"The alliance, in its broadest political sense, is a vital asset which the western democracies must not neglect. We cannot take it for granted. European security without the US simply does not make sense," he said.

The Europeans must make it clear that they welcomed US forces in Europe, that they needed a single collective structure based on multinational units, comprising both US and European forces and that the US commitment had to include both a nuclear and conventional element, though at a much reduced level. However, a reduced US military presence in Europe implied "a greater European responsibility" for the alliance. This, in turn, assumed "a distinct European role within it." An alliance of equals presupposed a willingness to consult as equals.

Not least, the alliance must take account of security problems beyond the confines of Europe, which it has so far been reluctant to do.

Mr Hurd said everyone agreed that security was an essential element "in the coming together of the members of the Community." The Western European Union – Britain, France, West Germany, Italy, Spain, Portugal, Belgium, the Netherlands and Luxembourg – was well-suited for this purpose.

It was compatible with Nato and involved defence as well as foreign ministers. It had shown its competence outside the Nato area, such as the co-ordination of the member states' naval contributions to the joint the anti-Iraq front in the Gulf.

A more European character should also be given to the alliance's new force structures. The idea of a Rapid Reaction Force, with a strong European component, available at short notice for any part of the Nato area, was worth serious consideration. Some elements of such a force could also have a potential role, under WEU auspices, outside Europe.

# Havel appeals for broader powers

By Judy Dempsey, East European Correspondent, in London

MR Vaclav Havel, president of Czechoslovakia, yesterday unexpectedly asked parliament to grant him broader powers aimed at preventing the country from splitting into two separate states.

His appeal, broadcast live on nationwide television, reflects the growing rift between the Czech Lands of Bohemia and Moravia, and Slovakia, which has been demanding greater autonomy from Prague, the federal capital. It also illustrates Mr Havel's impatience with the issue, which is distracting the government from implementing social, economic and political reforms.

Mr Havel told parliament he was "very sorry" he had to go this far, adding: "Our state this time is not threatened from the outside, as so many times in the past, but from the inside... the thin ice of our constitution will be broken and our state would inevitably fall into legal chaos."

Although the measures remain undefined, it is understood that Mr Havel wants presidential powers to extend beyond the federal government into the ambit of the Czech Lands and Slovakia. This would allow him to become directly involved in the future status of the republics.


Vaclav Havel appeals to the Czech assembly yesterday to give him wider powers as president

The powers would be enforced until parliament draws up a new constitution within the next 18 months.

Mr Havel also asked parliament to set up a constitutional court and pass a law which would permit national referenda, now available on demand, only as a last resort.

One Czech journalist yesterday said Mr Havel was trying to balance his instinct for democracy with the need for stability.

The federal government is at its most vulnerable over the status of Slovakia. Since last June's elections, the conservative Slovak National party has demanded separation from the federation and the Slovak Christian Democratic Movement has quietly pursued a long-term strategy aimed at what appears to be eventual secession from Prague.

Last month, Mr Havel attempted to contain Slovak nationalism by agreeing to divide some of the federal powers between the republics. But the parliaments of the two republics still cannot agree under whose jurisdiction the fiscal regime, postal services, oil and gas pipelines should be controlled.

The issue of delineating the powers of the federal government and the republics was due to be debated today. But Mr Vladimir Meciar, who was singled out for criticism by Mr Havel, said Slovakia would declare its sovereignty if its powers were curtailed.

# UK electricity groups set for sparkling stock market debut

By Clare Pearson and David Thomas in London

BRITAIN'S 12 regional electricity companies are expected to make a sparkling debut on the London stock market this afternoon as institutional investors scramble for shares in the heavily oversubscribed offer.

But many private investors expressed anger that they will miss the chance of big profits on the shares because allocations were sharply scaled down yesterday.

The public applied for about £8bn ($15.4bn) worth of shares at the 100p partly paid share price – 10.7 times the number of shares originally allocated to individual investors.

Mr John Wakeham, UK energy secretary, welcomed the response yesterday as a "continuing overwhelming public interest in privatisation."

However, Mr Frank Dobson, the opposition Labour party's energy spokesman, criticised as unnecessary the £49.1m paid to underwriters for taking the risk of the issue. "The oversubscription is in direct proportion to the underpricing."

South Wales Electricity was the most heavily oversubscribed with applications for 15.8 times the number of shares on offer. Southern Electric was the least in demand with a 7.7 times oversubscription.

However, people who hoped for quick profits by applying for large numbers of shares have been severely penalised in allocations designed by the government to favour the small shareholder, investing locally.

Almost no investors who applied for shares outside their local area will get more than 100 shares. People who applied for large numbers of shares will receive none at all.

In contrast, all applicants applying for the minimum 100 shares in their local company will have their applications met in full.

Many individuals yesterday expressed annoyance at having been left out of the allocations.

People were also angry that the current spell of bad weather in Britain may delay the arrival of certificates and return cheques until after Christmas.

Individual shareholders who had written out one cheque to apply for shares in more than one company were especially angry that the cheque would be cashed, depriving them of interest, even though most of their share applications were turned down.

While welcoming the strong interest in the issue, regional companies yesterday expressed concern about the heavy cost of servicing a large number of small shareholders. "It's absolutely ludicrous, especially for the smaller companies," one City adviser said.

Smaller companies were the most heavily oversubscribed since they attracted applications from many non-customers. The number of applications ranged from 1.291m for Eastern Electricity to 942,000 for South Wales Electricity.

# Levitt group is probed on accounts

By Sara Webb and Richard Waters in London

THE Levitt Group, one of the UK's largest private financial services companies, is under investigation by the Department of Trade and Industry following the discovery of irregularities in its accounts. The company may face liquidation.

The investigation, which is taking place in secret, started some weeks ago. On Friday, the Levitt board decided that the company might need to seek administration. A final decision was due yesterday evening.

Mr Roger Levitt, founder of the group, was forced to step down as chairman and chief executive of Levitt Group a month ago.

Fimbra, the UK regulatory body, grew alarmed when it discovered invoices amounting to over £21m ($40m) in the company during a routine inspection of the company in October.

Mr Levitt eventually told Fimbra that he had paid £21m of his own money into the company, but has so far failed to supply the regulators with satisfactory explanations as to why he did so.

The discovery led to Fimbra's insistence that Mr Levitt step down from his posts, and could result in Mr Levitt facing criminal proceedings for providing false information to the regulators.

Members of the board of The Levitt Group's parent company, The Levitt Group (Holdings) plc, were due to meet last night to discuss whether to seek a high court administration order and be run by Peat Marwick McLintock. However, it appeared increasingly likely last night that the company would go into liquidation on the grounds that it could not be run as a viable concern.

# US likely to send food to Soviet Union

Continued from Page 1

● Mr Gorbachev yesterday ignored the evidence that his own Communist party is beginning to follow the disintegration process of the Soviet Union, and launched a passionate defence of the unified national state.

Speaking only days after the Georgian party followed the lead of Lithuania in declaring its independence from the Soviet Communist party, Mr Gorbachev denounced "arrant, extremist nationalism" as the most serious danger now facing the country. Page 2

# Security Pacific reduces

Continued from Page 1

anticipation of the accelerated disposal of commercial real estate acquired through foreclosures. Mr Smith said however that the extent of future commercial real estate loan problems in California would depend on the depth of the US recesssion.

The moves unveiled yesterday will have the immediate effect of lowering Security Pacific's main capital ratio from 4.3 to 4.1 per cent. But Mr Smith said that this would rise to 4.6 per cent after a total of $7bn to $10bn of merchant bank and other assets are disposed of, reducing the bank's overall assets from the present level of $88bn.

Security Pacific is not planning to cut its fourth quarter dividend of $3 cents a share.

Wall Street analysts, who had been forecasting a fourth quarter profit, were surprised at the magnitude of the loan losses and restructuring costs and by the fact that they were caused by problems mainly outside of the bank's California home base. The bank's share price was marked $1½ higher yesterday morning to $23, but this was 42 per cent below its level 12 months ago.

The bank also said it plans to redeem a further $75m of preferred stock, in response to the high cost of funding.

THE LEX COLUMN

# Too much power for comfort

Even before dealings in the new electricity shares have started, the voice of aggrieved punters is being heard in the land. The Treasury has in its clutches surplus applications worth nearly £6bn which it will not be returning this side of Christmas. In the meantime, the cash put on the street should earn the taxpayer close to £50m. As an illustration of the principle that stagging can mean losses as well as profits, it is not before time.

The high level of oversubscription poses an immediate tactical problem for UK institutions. With a starting allocation of only 30 per cent, they are seriously underweight. But it is not clear how many of the public will be immediate sellers. Some will be reluctant until they have proof of allocation. Others – accounting for around a quarter of applications – are customers entitled to the perks. The natural approach for the institutions would be to hold off until the fuss dies down. Unfortunately, that may not be until the New Year. Fund managers who had put cash aside for the issue may not be keen to see their cash holdings even higher at the year end. The headline figure in today's dealings will be the premium – up to 45 per cent at the latest reckoning. The really interesting figure will be the volume.

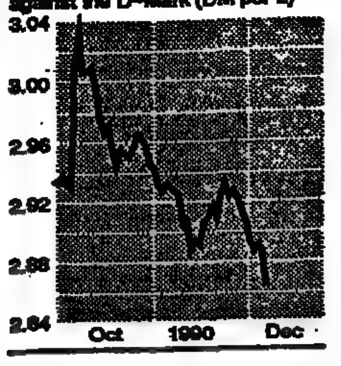
## British Sugar

Yesterday's market reaction to the British Sugar deal was a succinct judgment on winners and losers: 6 per cent on the buyer's price, 23 per cent off the seller's. For Associated British Foods, the attraction of paying 11 times earnings for a business facing long-term decline in prices and volume is not quite self-evident. But there are doubtless costs to be taken out of the business, if not as much as Tate & Lyle could have achieved. With over £300m of net cash still in the bank, ABF can pursue its sugar ambitions in continental Europe. Perhaps more simply, given Mr Garry Weston's hard-won reputation for patience and parsimony, the market is inclined to take ABF's deals on trust.

The reasons for the plunge in Berisford's price are more wide ranging. The further heavy provisions against UK and US property are another blow to the credibility of a company which was meant to have taken care of all that six months ago. The effect is measured by the gap between the

**Sterling**

against the D-Mark (DM per £)




latest stated net asset value of 73p per share and yesterday's closing price of 22p. If further disincentive were needed, there are now block sellers around for almost half Berisford's equity, ranging from ABF itself with 22.9 per cent to the hard-pressed Mr Larry Goodman. After the British Sugar deal, Berisford will still have net debt of nearly £250m compared to a market value yesterday of £108m. Paying off the remainder will take years, with no guarantee of anything left for shareholders at the end of it.

## 3i

The eye-catching number in the half-year results from 3i, the UK's largest venture capitalist, is the £106.4m of provisions. Even by the standards of its clearing bank parents, this is a very big number, given a total loan and equity portfolio of only £2.5bn. In the long bull market of the 1980s, 3i's profits on investment disposals have tended to be between two and three times larger than its provisions. But disposal profits in the latest six months have been swamped by the jump in provisions, which rather worryingly included losses on property development.

The net result is a £115.3m collapse in pre-tax profits to just £18.1m, an uncovered dividend and a 12 per cent dip in shareholders' funds compared with a year ago. Of course, judged by investment trust standards, 3i's performance does not look anything like as bad. Nevertheless, it is a big borrower. Although its blue-chip shareholders include the Bank of England, now is not the time to test whether Britain's biggest investment trust can be floated off on its own. The Inland Revenue is no longer an obstacle. But even the most cash-hungry of 3i's parents would baulk at the sort of discount the market would put on its paper in the current climate.

## UK interest rates

The UK money markets are still discounting a sizeable cut in interest rates by Christmas. The gilt edged market has assumed that it has happened, yet the steady slide in sterling on the foreign exchange markets is telling a very different story. Sterling's persistent weakness against a strong D-Mark must be more than a little worrying for the new Chancellor, especially since yesterday's retail sales figures confirm that the economic downturn is accelerating much faster than the official view allows.

The long end of the gilt-edged market clearly senses a severe recession. The foreign exchange markets, by contrast, cannot believe that devaluation has been ruled out as a policy option. Indeed, one might wonder what would have happened to sterling if the UK had not entered the ERM before Mrs Thatcher was ousted. Against this delicate background another politically motivated cut in interest rates would damage what little credibility the Bank of England has left.

## Midland Bank

Neither Midland nor the Hongkong & Shanghai Bank can feel happy about the present state of their relationship. In the three years since Hongkong took a 14.9 per cent stake, its own shares have underperformed the UK market by more than a third and the value of its investment in Midland has fallen by nearly £150m. The task of welding the two banks together looks more difficult than ever, given the scale of their individual problems.

But it would be rash to assume that the Hongkong Bank is no longer interested. Its need for a stable UK business base has not changed, nor has Midland's need for a partner. If anything, the pressures are more intense than in 1987. Meanwhile, the list of alternative bidders for Midland is very slim. Abbey National or Lloyds would not dare jeopardise their ratings; the French would be ruled out of court; and it is hard to imagine the Prudential or a big building society taking a serious interest. The Hongkong Bank still looks the best bet; the real obstacle is the price.



WORLDWIDE WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | T | 10 | 50 | Berlin | R | 1 | [illegible] | Caracas | [illegible] | 26 | 79 | Faro | C | 12 | 54 | Islamabad | F | 19 | 66 |
| Algiers | C | 12 | 54 | Biarritz | C | 5 | 41 | Casablanca | F | [illegible] | 65 | Florence | R | 8 | 46 | Istanbul | S | 13 | 55 |
| Amsterdam | C | 2 | 36 | Bombay | S | 29 | 84 | Chicago | - | - | - | Frankfurt | Sn | 2 | 36 | Jakarta | R | 32 | 90 |
| Athens | F | 17 | 63 | Bordeaux | C | 4 | 39 | Cologne | C | 1 | 34 | Geneva | C | 1 | 34 | Jersey | C | 8 | 46 |
| Bahrain | - | - | - | Boulogne | Dr | 1 | 34 | Copenhagen | C | 4 | 39 | Gibraltar | F | 13 | 55 | Johannesburg | S | 27 | [illegible] |
| Bangkok | F | [illegible] | 91 | Brussels | Sn | 0 | 32 | Corfu | [illegible] | 16 | 61 | Glasgow | S | 3 | 37 | Lima | F | 23 | 73 |
| Barcelona | C | 9 | 48 | Budapest | R | 6 | 43 | Dallas | S | 3 | 37 | Helsinki | C | -1 | 30 | Lisbon | R | 10 | 50 |
| Beirut | - | - | - | Buenos Aires | R | 23 | 73 | Dublin | S | 5 | 41 | Hong Kong | S | 24 | 75 | London | C | 6 | 43 |
| Belfast | [illegible] | 3 | 37 | Cairo | S | 21 | 70 | Dubrovnik | T | 19 | 66 | Innsbruck | [illegible] | 2 | 36 | Los Angeles | S | 12 | 54 |
| Belgrade | C | 9 | 48 | Cape Town | S | 29 | 84 | Edinburgh | Sl | 3 | 37 | Inverness | S | 0 | 32 | Luxembourg | Sn | -1 | 30 |

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Madeira | C | [illegible] | 61 | Milan | C | 1 | 34 | Nicosia | S | 20 | 68 | Salzburg | F | 1 | 34 | Tenerife | - | - | - |
| Madrid | F | 6 | 43 | Montreal | S | 3 | 37 | Oporto | F | 16 | 60 | San Francisco | C | 9 | 48 | Tokyo | S | 17 | 63 |
| Majorca | F | 12 | 54 | Moscow | Sn | [illegible] | 23 | Oslo | S | -3 | 27 | Seoul | F | 11 | 52 | Toronto | F | 3 | 37 |
| Malaga | F | 13 | 55 | Munich | Sn | -1 | 30 | Paris | Sn | -1 | 30 | Singapore | C | 28 | 82 | Tunis | C | 12 | 54 |
| Malta | F | [illegible] | 59 | Nairobi | - | - | - | Peking | S | -3 | 27 | Stockholm | Dr | 1 | 34 | Valencia | S | 10 | 50 |
| Manchester | F | 6 | 43 | Naples | C | 13 | 55 | Prague | C | 4 | 39 | Strasbourg | C | 0 | 32 | Venice | C | 9 | 48 |
| Manila | F | 33 | 91 | Nassau | F | 24 | 75 | Reykjavik | F | 1 | 34 | Sydney | C | 23 | 73 | Vienna | C | 3 | 37 |
| Melbourne | F | [illegible] | 61 | New Delhi | S | 19 | 66 | Rhodes | S | 17 | 63 | Taipei | F | 23 | 73 | Warsaw | C | 1 | 34 |
| Mexico City | F | 20 | 68 | New York | S | 8 | 46 | Rio de Janeiro | F | 29 | 84 | Tangier | C | 11 | 52 | Washington | C | 5 | 41 |
| Miami | S | 12 | 54 | Nice | C | 8 | 46 | Rome | F | 12 | 54 | Tel Aviv | S | 20 | 68 | Zurich | Sn | -1 | 30 |

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
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Tuesday December 11 1990



## INSIDE

### Arianespace: 10 years old

Arianespace, the European satellite launch company, celebrates its tenth anniversary today on an upswing. In less than four months, it has launched a record number of eight commercial satellites, putting well behind it the embarrassing failure of the Ariane rocket's 36th launch last February which destroyed two Japanese commercial satellites. But the festivities will be short-lived. As Paul Betts reports, trade frictions are now running high between the Europeans, the Americans and, increasingly, the Chinese and the Soviets in the $2bn-a-year commercial satellite launch business.
Page 22

### ABCs of change on the exchange

Later this week, the International Stock Exchange in London will revamp the classification system used since financial deregulation – otherwise known as Big Bang. The alpha designation, mistakenly regarded as a stamp of quality on a listed company's stock, is about to be scrapped. Betas and gammas will also disappear. Richard Waters reports on the changes which will affect many users of the stock market. Page 28

### Scottish & Newcastle lifts profits 31%

Scottish & Newcastle Breweries has lifted interim pre-tax profits by 31 per cent. The increase – from £87.4m to £114.5m ($223.4m) – was helped by a substantial reduction in debt charges following the £645m sale of Thistle Hotels to Mount Charlotte. Strong growth at Scottish & Newcastle's holiday operations, Center Parcs and Pontin's also helped the figures. "The momentum was maintained through the full six months despite the difficult economic conditions," said Alick Rankin (above), chairman and chief executive.
Page 25

### Opec looks beyond the Gulf

For the first time in years, almost nothing that Opec does at its meeting in Vienna – which begins today – is likely to have much immediate impact on oil markets. Opec has been sidelined by the crisis in the Gulf. Yet the meeting is an important event as ministers will begin sounding each other out and forming a strategy for what the organisation will do after the crisis. Steven Butler reports.
Page 34

### Unilever succession

A veteran of 33 years with Unilever yesterday emerged as the most likely successor to Sir Michael Angus as chairman of the UK-based arm of the Anglo-Dutch food and consumer products group. Michael Perry, 56, has been with Unilever since leaving Oxford in 1957, and has headed subsidiaries in Thailand, Argentina and Japan.
Page 27

### Market Statistics


| | | | |
|---|---|---|---|
| Base lending rates | 42 | London traded options | 25 |
| Benchmark Govt bonds | 24 | London trad. options | 25 |
| FT-A indices | 25 | Managed fund service | 38-41 |
| FT Int bond svce | 24 | Money markets | 42 |
| Financial futures | 42 | New int bond issues | 24 |
| Foreign exchanges | 42 | World commodity prices | 34 |
| London recent issues | 25 | World stock mkt indices | 43 |
| London share service | 36-37 | UK dividends announced | 26 |


### Companies in this section


| | | | |
|---|---|---|---|
| 3I | 26 | HDM | 20 |
| Airsprung Furniture | 27 | Halma | 27 |
| Airtours | 26 | Investec | 22 |
| Arianespace | 22 | Lone Star Inds | 20 |
| Assoc Brit Eng | 26 | MoDo | 28 |
| BET | 26 | Montedison | 20 |
| BSN | 20 | Nat'l Semiconductor | 22 |
| Bennett & Fountain | 28 | Northwest Airlines | 22 |
| Berisford Intl | 29 | Oriflame Intl | 28 |
| British Land | 26 | Robertson Group | 26 |
| Cray Electronics | 26 | Savage | 26 |
| Cronite | 27 | Scottish & Newcastle | 26 |
| Den Danske Bank | 20 | Shandwick | 26 |
| ENI | 20 | Telmex | 20 |
| Eurocom | 20 | Uddeholm | 20 |
| Fiat | 20 | Unilever | 27 |
| Fisher (Albert) | 27 | Vereinigte Stahl | 20 |
| Fluor | 22 | Wheeling-Pittburgh | 22 |
| | | Whitecroft | 27 |


### Chief price changes yesterday

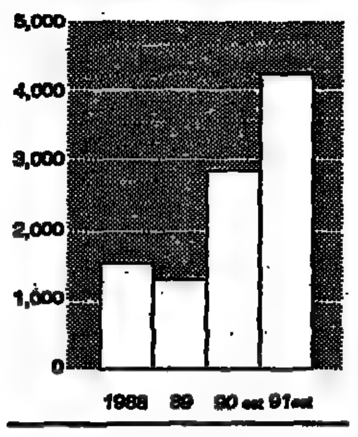
| FRANKFURT (DM) | | | |
|---|---|---|---|
| **Rises** | | | |
| DLW | 638 | + | 17 |
| Porsche | 705 | + | 15 |
| **Falls** | | | |
| Fag Kugel | 253 | – | 8 |
| Henkel | 526 | – | 10 |
| Karstadt | 625 | – | 10 |
| Rosenthal | 380 | – | 6 |

| NEW YORK ($) | | | |
|---|---|---|---|
| **Rises** | | | |
| HAL | $10\frac{1}{8}$ | + | $1\frac{1}{8}$ |
| Manuf Hanover | 24 | + | 1 |
| SecPac | $23\frac{1}{8}$ | + | $1\frac{1}{4}$ |
| **Falls** | | | |
| Edison Bros | $22\frac{7}{8}$ | – | $\frac{7}{8}$ |
| Lone Star | $2\frac{5}{8}$ | – | $2\frac{1}{4}$ |
| McDonnell | $43\frac{5}{8}$ | – | $1\frac{3}{8}$ |

| PARIS (FFr) | | | |
|---|---|---|---|
| **Rises** | | | |
| Coparex | 599 | + | 32 |
| Skis Rossi | 880 | + | 30 |
| **Falls** | | | |
| Bancaire Cie | 461 | – | 15.5 |
| Havas | 475.1 | – | 21 |
| Peugeot | 552 | – | 13 |
| Valeo | 373 | – | 12 |

| TOKYO (Yen) | | | |
|---|---|---|---|
| **Rises** | | | |
| Aoigs | 495 | + | 38 |
| Dowa Mining | 630 | + | 35 |
| JEOL | 1020 | + | 150 |
| Nippon Seiko | 610 | + | 45 |
| Takaoka E | 974 | + | 65 |
| Tsugami | 688 | + | 53 |

| LONDON (Pence) | | | |
|---|---|---|---|
| **Rises** | | | |
| Airtours | 149 | + | 6 |
| AB Foods | 420 | + | 23 |
| Avon Rubber | 238 | + | 13 |
| BTR | 340 | + | 9 |
| Chrysalis | 52 | + | 8 |
| Cray Elect | 49 | + | 9 |
| Creighton | 135 | + | 15 |
| Hardanger | 245 | + | 20 |
| Midlands Radio | 94 | + | 7 |
| Norex | 104 | + | 10 |
| Racham | 553 | + | 27 |
| Westland | 114 | + | 9 |
| **Falls** | | | |
| Beazer | 92 | – | 6 |
| Bennett & Fount | $14\frac{1}{2}$ | – | $2\frac{1}{2}$ |
| Berisford | 22 | – | $6\frac{1}{2}$ |
| RMC | 653 | – | 18 |
| Video Magic | 8 | – | 5 |
| WPP | 68 | – | 21 |
| Whitecroft | 178 | – | 5 |
| Wickes | 58 | – | 8 |




# Mexico sells Telmex stake for $1.76bn

By Robert Graham in London and Richard Johns in Mexico City

MEXICO has sold a controlling stake in Telmex, the state telephone company, for $1.76bn to a consortium including France Telecom and Southwestern Bell of the US. The sale is the largest cash purchase in a developing country privatisation programme.

The consortium headed by Mr Carlos Slim Helu, a prominent Mexican businessman, yesterday bought 20 per cent of Telmex, the flagship of Mexico's privatisation plans.

France Telecom and Southwestern Bell, in partnership with Mr Helu's diversified Grupo Carso, bid 10 per cent above Friday's Telmex share close on the Mexican stock exchange.

The government of President Carlos Salinas de Gortari plans to reduce its 36 per cent residual stake in Telmex to as little as 6 per cent next year. On yesterday's bid, the Mexican treasury could earn almost $4.5bn on this privatisation.

Next year, the government also plans to sell off 18 commercial banks, a steel company and a television station with the potential to raise a further $6bn. Mr Pedro Aspe, the finance minister, intends to use these revenues to slash the domestic debt. Mexico, unlike Argentina, is selling blue chip assets for cash.

The winning bid beat two other offers in auction after 11 had originally been considered. Mexico's finance ministry said the winning bid was the peso equivalent of $2.03 per share. The nearest rival was $1.97 per share from a group led by Mr Roberto Hernandez, head of the brokerage Acciones y Valores, with GTE and Telefonica de Espana.

Grupo Carso will be paying out $859m, Southwestern Bell $485m and France Telecom $412m, giving them 51 per cent of the full voting shares. Mr Helu, of Lebanese origin, had long been tipped as the winner of the Telmex contest. He runs a $1.5bn turnover conglomerate covering mining, manufacturing, paper products, retailing and tobacco.

His consortium is committed to investing up to $10bn in Telmex over five years. The new owners are guaranteed protection from hostile takeover bids until the next century as their controlling stock is off-limits to other investors for 10 years. Telmex last year made profits of $773m, a 75 per cent increase in real terms over the previous year. This reflected a complete tariff overhaul designed by Mr Aspe to fatten the balance sheet before sale.

According to Southwestern Bell, Telmex is roughly one third the size of its own domestic telephone operations in terms of assets, revenues and telephone lines served. Telmex revenues totalled $2.2bn. France Telecom will delegate its new Mexican operations to a subsidiary, France Cables et Radio.

# VW and Skoda unveil DM9.5bn strategy

By Kevin Done in London and Andrew Fisher in Frankfurt

VOLKSWAGEN and Skoda are planning a DM9.5bn ($6.4bn) investment programme to modernise and expand the Czechoslovak car maker's operations during the next 10 years.

VW said yesterday that it expected to take an initial 31 per cent stake next year, which would be increased gradually to 70 per cent by 1995.

Volkswagen, headed by Carl Hahn, was chosen on Sunday by the Czech government as the partner for Skoda in preference to a joint bid from Renault of France and Volvo of Sweden.

VW, the leading European car maker, yesterday announced an ambitious development programme for Skoda including new assembly, engine and gearbox plants. VW said it planned to increase Skoda's capacity to about 400,000 cars a year by 1997. Skoda is expected to produce about 180,000 cars this year.

VW's entry into Czechoslovakia means the group is now committed to ambitious capacity expansion plans during the 1990s in four European countries, as well as in China. In addition to Skoda it is planning:

- A DM5bn investment in east Germany in new automotive operations, including the construction of a DM3bn, 250,000 cars-a-year assembly plant at Mosel, near Zwickau, and the expansion and modernisation of an engine plant at Chemnitz;
- A DM10bn investment in Spain to expand the operations of its Seat subsidiary including a new Pta220bn ($3.4bn) 340,000 cars-a-year assembly plant at Martorell, near Barcelona. Production is due to begin in 1992;
- A second car assembly plant in China, with the aim of building 150,000 cars a year by 1996. This will be a 40/60 joint venture in Changchun, north-east China, with a total investment of DM1.5bn;
- To join Ford in a $2.5-$3bn (£1.5bn) development programme in Europe to build a multi-purpose vehicle/people carrier, probably in Portugal.

VW said yesterday that the deal with Skoda would strengthen its strategic position in central and eastern Europe. It would also enable VW to take advantage of the growth in the eastern European car market – expected to reach about 3m sales a year (including the Soviet Union but excluding east Germany) by the year 2000.

It said Skoda would be run as an independent part of the VW group and the brand name would be kept alongside the Volkswagen, Audi and Seat marques.

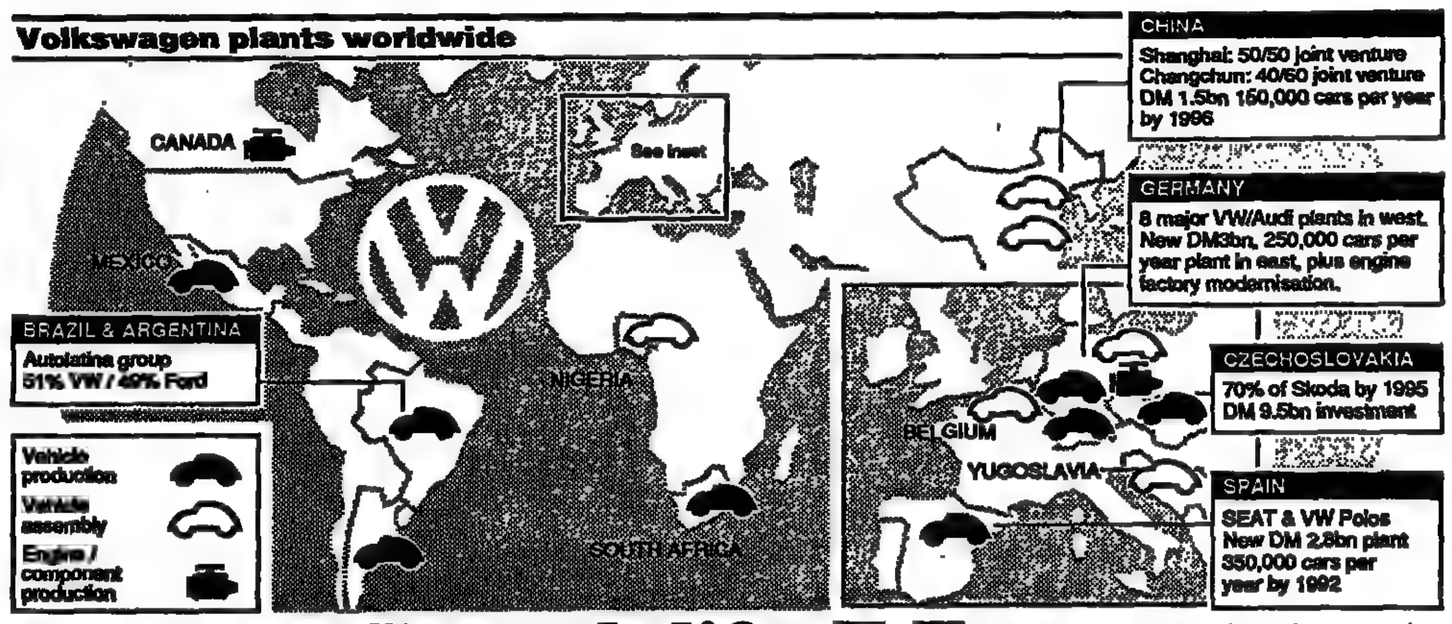
The existing Skoda dealer network in Europe would be expanded. It was also intended to export Skoda vehicles to markets outside Europe. VW said there were no plans to build Volkswagen vehicles in Czechoslovakia but additional Skoda models would be developed.

The planned Czechoslovak engine plant will have a capacity to produce 500,000 engines a year by 1995, and will become part of VW's international supply network. The German car maker said it would support the development in Czechoslovakia of an internationally-competitive automotive components industry.

It was not planning any significant reductions in the existing 20,000-strong Skoda workforce.

Analysts were cautious yesterday about the group's growing financial commitments as margins are coming under severe pressure in many international markets. "It's a pretty big roll of the dice," said John Lawson, analyst at Nomura Research.

With demand in east Germany surging ahead this year, VW has been hard put to make enough deliveries, however. It says it could have sold 100,000 more cars in Germany with sufficient capacity. The spending planned in Spain, east Germany, Czechoslovakia, and China represents about DM25bn extra investment in the 1990s.




Hahn: Volkswagen chief

# Renault lifts E Europe output

By William Dawkins in Paris

RENAULT, the French car maker, has responded to its defeat by Volkswagen in the battle for Skoda, the Czechoslovak car maker, by accelerating its production and sales efforts across eastern Europe.

The state-owned group plans to increase output at plants in Turkey and Yugoslavia and aims to open a third eastern European production base with a local partner next year, Mr Jean-Marc Lepeu, international affairs director, said yesterday.

He also revealed that Volvo, the French car maker's Swedish partner, had been in touch with the Czechoslovakian authorities "several months ago" on a possible Franco-Swedish partnership with Tatra and Liaz, two of the country's three largest truck makers. Man of Germany and Iveco, Fiat's truck making subsidiary, are also interested.

On Skoda, Mr Lepeu said: "This is not a setback. We will find other ways to conquer the region." The Czech regional government's decision came as a surprise to Renault, which learned of it in the newspapers.

It was also a surprise to a Skoda trade union delegation, which had arrived in Paris on Sunday night for talks with Renault's management and the French communist-led CGT trade union on how Czech labour conditions might change if Renault took a stake in Skoda. The Skoda delegation's meetings were cancelled yesterday.

Mr Lepeu recognised that the fact that Renault was offering Skoda a much smaller investment plan, up to FFr15bn ($3bn) as against DM8bn ($5.4bn), might have told against it. He denied suggestions that Renault's offer was presented to the Czech authorities as part of a package, also including cheap loans and advice on modernising the country's ageing nuclear power stations.

"We do not offer packages," added a representative of the French Industry Ministry.

Germany's long business and cultural links with Czechoslovakia were the deciding factor, Mr Lepeu speculated.

Renault already makes 80,000 cars a year at Novo Mesto, in the Yugoslav republic of Slovenia, which it is planning to increase to 150,000. Similarly, its plant at Bursa, south of Istanbul, is to increase its output from 100,000 to 150,000 cars annually.

# Goodman to give up control as banks agree rescue plan

By Kieran Cooke in Dublin

BANKS owed more than I£500m ($900m) by Goodman International last night agreed to the terms of a rescue package for Ireland and Europe's biggest beef processor and exporter.

The 33 banks involved are understood to have voted by four to one to accept a proposal put forward by Mr Peter Fitzpatrick, examiner to the troubled company. The plan calls for Mr Larry Goodman, head of the privately-held Goodman group, to relinquish overall control.

Mr Fitzpatrick will today take his rescue package to the High Court in Dublin for endorsement. While the banks' approval of a rescue means that Goodman International has cleared one big hurdle, approval by the court is by no means guaranteed.

Mr Fitzpatrick said his proposals were in the long-term interest of Goodman International, of "its employees, creditors, suppliers and customers".

The company was overwhelmed by heavy debts in August when its investments in Berisford and Unigate, two British foods groups, turned sour, and its long-standing trading difficulties with Iraq came to a head.

Mr Fitzpatrick's plan includes the sale of various Goodman "non-core" assets, a reorganisation of debt into long-term loans, and payment of an I£108m non-performing "rump" debt without interest over a seven-year period.

An Iraqi debt of I£167m will for the mean time be "parked". It will eventually be paid by Baghdad or by settlement of a court action being undertaken by Goodman against the Irish government for cancellation of various state export insurance policies covering trade with Iraq.

Mr Goodman will remain managing director of the group, but his shareholding will be reduced to 40 per cent. Another 50 per cent will be put in trust to be "clawed back" by Mr Goodman if repayments to creditors are met. Ten per cent of Goodman International will be held by the banks.

The banks hope they will eventually receive up to 80p on the pound if Mr Fitzpatrick's plan is successful. Liquidation of Goodman International would have resulted in even larger losses.

Last night Mr Goodman issued a statement saying he was pleased that the reorganisation plan had advanced. "I believe the group is well positioned for further development on its markets and products," he said.

# Lone Star files for protection under US bankruptcy code

By Martin Dickson in New York

LONE Star Industries, a large US cement and construction materials company which has been shrinking rapidly over the past few years, yesterday filed for protection under Chapter 11 of the US bankruptcy code.

The Connecticut-based company, once the largest US supplier of cement, has sold more than $800m in assets over the past four years. Much of this was in the form of joint ventures with domestic and foreign cement companies, including Tarmac and RMC of Britain.

The proceeds from its unusual strategy were used to help sustain dividends, although payments had to be discontinued at the start of this year.

Lone Star, noting yesterday that more than two-thirds of the US cement industry was now owned by foreign companies, said it had decided that shareholders would be better off if it entered Chapter 11.

The company said Chapter 11 would allow it to restructure around its core business operations – and continue to sell assets – while also improving its financial structure.

It expected to meet its commitments to employees, customers and suppliers.

Lone Star, headed for the past 12 years by Mr James Stewart, reported a net loss in the first six months of this year of $9.2m, compared with a loss of $9.7m in the same period of 1989, on sales down from $154.5m to $113.3m.

The company put its cement operations in the southern US into a joint venture with Tarmac in 1986, although the British company bought out Lone Star two years later. The final links between the two businesses ended this year when Lone Star sold some $147m of preferred stock in the Tarmac America company.

In 1987 Lone Star also entered joint ventures in the Pacific Northwest and northern California with, respectively, Onoda Cement of Japan and Britain's RMC. Onoda bought out most of the remaining Northwest stake earlier this year.

# Berisford plunges into loss of £880m

By Maggie Urry in London

BERISFORD International, the UK property and commodities group which on Saturday agreed to sell British Sugar for £880m ($1.7bn), yesterday revealed a pre-tax loss for its year to end-September of £96.1m compared with a profit of £107.3m.

After extraordinary debits of £236.8m against £99.9m, a transfer from reserves was needed of £326.3m against £54.6m. No dividend will be paid for the year.

At the year end, the balance sheet showed net debt of £921.6m, compared with shareholders' funds of only £93.3m. A pro-forma balance sheet adjusted for the sale of British Sugar to Associated British Foods and some other moves, shows net debt down to £246.9m and shareholders' funds recovering to £356.3m, giving gearing of 69 per cent. On this basis, net asset value was 78p a share.

Mr Murray Stuart, finance director, said the group had the ability to repay all its debt in 1991 from further disposals and retentions, while leaving a business which would have some value for shareholders.

Mr John Sclater, chairman, said the figures were affected by "very substantial provisions" made against the property, which reflected the weakening of the property market during the year.

Lex, Page 18

## Danish bank to buck trend

DEN DANSKE BANK, Denmark's biggest commercial bank, plans to begin issuing securitised mortgage loans to home buyers, financed by fixed interest bonds issued on the stock exchange, the bank said yesterday, writes Hilary Barnes in Copenhagen.

This means that the bank is bucking the trend in Denmark and several other European countries towards giant financial service groups incorporating banking, mortgage credit and insurance under a single holding company.

# CS Holding issues warning of reduced net earnings

By William Dullforce in Geneva

CS HOLDING, the parent of Crédit Suisse and CS First Boston, the investment banking group, acknowledged yesterday that its net earnings this year would be "considerably lower" than the SFr865m ($680m) realised in 1989.

In an interim report covering the period from April 1 to September 30, Mr Rainer Gut, chairman, blamed the "extremely difficult" conditions, compounded by the Gulf crisis, in which the group had had to operate.

High interest rates, inflation-induced increases in costs and the general lethargy afflicting financial markets had served to squeeze profits.

Mr Gut announced no figures for six-month profits or the estimated lower 1990 outcome. Shearson Lehman Brothers, in a report distributed last week, made a "rough guess" of SFr348m for CS Holding's net income this year.

Crédit Suisse, which provided 90 per cent of the holding company's net income in 1989, would not reproduce last year's record cash flow, Mr Gut wrote. Bank Leu, of which CS Holding took control this year, would report a "markedly weaker performance".

Last month a capital restructuring and trimming of staff of CS First Boston was announced. It included a $300m injection of share capital, which enabled CS Holding to raise its 44.5 per cent stake to a majority interest of 60 per cent.

First Boston, the New York-based arm of the banking group, had had to adapt to market conditions and to find a long-term solution to its bridge loan exposure, Mr Gut wrote.

Reductions in staff were largely completed. CS Holding had an exposure of $470m to the new company which had taken over some $750m of First Boston's bridge loans and shares in the companies to which the loans had been made. This represented an increase of $220m on the level of exposure to Sealy Corporation which CS Holding had at the end of March.

After the extraordinary write-downs of $360m already announced, substantial additional reserves were being accumulated with respect to First Boston's remaining bridge loan.

# Eurocom in break-up of HDM

By George Graham in Paris and Alice Rawsthorn in London

EUROCOM, the advertising subsidiary of France's Havas group, will tomorrow announce the break-up of HDM, the advertising network formed three years ago in partnership with Dentsu of Japan and Young & Rubicam of the US.

The three partners have been negotiating the terms of HDM's dissolution for several months. They are believed to have agreed a deal whereby Eurocom will buy out Dentsu and Y&R's shares in the European part of the network for $50m.

Eurocom has felt for some time that HDM – which is the world's 17th largest agency with billings of FFr16.3bn ($3.3bn) last year – was not working effectively. The bulk of HDM's profits came from the European business and the French company believed that Y&R should have been more active in developing HDM's interests in North America.

The buy-out of HDM in Europe raises a question about the long-term future of the network. So far Dentsu and Y&R, respectively the world's first and third largest ad agencies, have indicated that they intend to continue their partnership. The two companies have formed joint ventures in other areas of marketing – such as public relations and direct marketing – as well as in advertising.

Eurocom is now expected to merge HDM's European interests with the agencies owned by EWDB, its other international advertising network, to form a new company called Eurocom Advertising.

EWDB, which is the 16th largest international advertising network with billings of FFr17.2bn, was formed a year ago when Eurocom bought control of the WCRS advertising agencies from Aegis, the London-based marketing group.

The new agency would be one of the largest in Europe.

# BSN increases Italian foods stake

By William Dawkins in Paris

BSN, the French food group, yesterday wasted no time in using some of the cash raised from the sale of its champagne businesses, by boosting its stake in Italian food.

BSN has agreed to pay FFr400m ($79m) to lift its stake in Galbani, Italy's leading producer of cheese and salted meat from 35 per cent to 50 per cent.

This comes three days after BSN sold its two champagne brands for FFr3.1bn to LVMH Moët Hennessy-Louis Vuitton, the drinks and luxury goods group. BSN yesterday confirmed that LVMH would also be taking on about FFr1bn of debts attached to its champagne business. LVMH will pay in two tranches, this year and next.

The Galbani shares are being sold by Ifil, the Agnelli family holding company, which teamed up with BSN to buy Galbani for L2,241bn ($2bn) in July last year. Ifil will accordingly reduce its stake from 65 per cent to 50 per cent. BSN handles the day-to-day management of Galbani, which last year reported net profits of L138bn on sales of L1,600bn.

# Swedish financier bids for MoDo stake

By Robert Taylor in Stockholm

MR MATTS CARLGREN, the largest shareholder in MoDo, Sweden's third largest pulp and paper group, has received a bid for his stake from Mr Frederik Lundberg, the Swedish financier, for an estimated SKr1.5bn ($268m).

At present Mr Carlgren owns 39.4 per cent of the voting rights and 20.6 per cent of the equity capital in MoDo, of which he is also chairman. The Lundberg group has 25.1 per cent of the voting rights but 30.2 per cent of the equity capital.

If his bid is accepted Mr Lundberg will achieve undisputed control of the company with 64.5 per cent of the voting rights and 51 per cent of the equity capital. The Lundberg group first acquired shares in MoDo in 1988 when it bought a 15 per cent stake.

However, there could be a complication to the proposed change in ownership. The next largest shareholder in MoDo is Marieberg, the Swedish paper and publishing group, with 18.9 per cent of the company's voting rights and 21.4 per cent of its equity capital.

Marieberg claimed yesterday that it had a "secret agreement" with Sanna Holding, Mr Carlgren's group, giving each of them first purchasing rights on the other.

The sale of Mr Carlgren's shares would end his family's long association with MoDo which goes back more than 120 years, but it underlines the severe financial problems threatening to engulf him.

Today's troubles at MoDo stem from his ambition of three years ago when he sought to strengthen the company as a significant force in the restructured Swedish pulp and paper industry alongside Stora and SCA through the acquisition of its paperboard affiliate Iggesund and Holmen, another Swedish company and Europe's leading newsprint producer.

The net interest burden caused by the acquisition of Iggesund stretched MoDo's finances and made the company much more vulnerable when the downturn in the paper and pulp industry's cycle occurred this year.

MoDo's profits, before financial items, have tumbled by 39 per cent in the first eight months to SKr784m from SKr1.277bn and the company said it did not expect any improvement in the rest of 1990.

Mr Carlgren's other business interests covered by the Sanna Holding company include: Stille-Werner, which manufactures and sells health care equipment; the television commercial satellite company Nordic Channel; Storlien hotels; and the auction company Bukowskis. All are causing him difficulties at the moment.

## Bourse stops trading in Uddeholm stock

By Robert Taylor

TRADING was stopped yesterday on the Stockholm bourse in the shares of Uddeholm, the Swedish group that is one of the world's leading tooling steel manufacturers.

This followed an announcement that negotiations were under way for the purchase of the company by Vereinigte Stahl, Austria's state-owned steel group, for SKr1.2bn ($215m).

If agreement is reached the new conglomerate would become the world's largest producer of steel for machine tools, ahead of Germany's Thyssen.

In April this year Uddeholm made a cross-shareownership agreement with Böhler, a subsidiary of the Austrian group which is to be floated on the stock market in 1992.

The strategic alliance between the two steel producers is concentrating on marketing, distribution and product development.

Yesterday Uddeholm said an announcement was expected on the proposed deal by the end of this week.

# British media interests pick over Fairfax

**Tim Blue and Raymond Snoddy** on the possible break-up of the Australian newspaper group

British media organisations are taking a long look at the John Fairfax Group of newspapers in Australia which has gone into receivership.

Likely candidates for buying at least some parts of the group include Pearson, the publishing, banking and industrial group which publishes the Financial Times, and Mr Robert Maxwell's Mirror Group Newspapers.

Yet despite considerable interest in the Fairfax papers all the signs are that it was the lack of concrete offers that led the bankers to decide on receivership.

Pearson, it is believed, was last week considering the possibility of taking 40 per cent of the group. This would have involved effective managerial control and the possibility of increasing its commitment as the Fairfax debt was paid off.

However, the talks broke down amid suggestions that Canberra would permit no more than a 20 per cent stake.

Pearson now is likely to be interested mainly in the Australian Financial Review. Ownership of all or a significant stake in the Review would fit in with the Pearson strategy of acquiring interests in high quality financial publications around the world. However, the Review is run at the moment as an integral part of the Sydney Morning Herald.

Mr Maxwell by contrast is interested only in the Melbourne Age, although his previous attempts to buy into the Fairfax group were thwarted by the opposition of Mr Paul Keating, the federal treasurer.

Mr Maxwell believes that Mr Warwick Fairfax made a valiant attempt to save the group. If approached it is likely that MGN would be interested in a stake in the Age. Mr Maxwell has recently decided to sell all his television interests in favour of expanding in the newspaper industry.

Lord Rothermere, chairman of Associated Newspapers, is believed not to be interested in Fairfax.

Immediate developments are unlikely and the plight of the John Fairfax Group is not as bad as its erstwhile owner. Mr Fairfax. Under Australian corporate law, court-appointed receiver managers are empowered to manage the assets as best they see fit, which can include attempts to trade out of difficulty. This is the clear intention of the banks from their statements and their request for the appointment of receiver managers, Deloitte Ross Tohmatsu, to the John Fairfax group of operating companies.

However, the stand alone finance vehicle – John Fairfax Finance - has been placed in liquidation and will be wound up, with no further role to play. Informed sources say the complex arrangements were those which best suited the long-term interests of the increasingly frustrated bankers. To have liquidated the assets of the newspaper group would have only served to crystallise the banks' losses, and not necessarily improved their chances of recovering funds through asset sales.

For Mr Fairfax, the great irony is that his company's receivership has come as the culmination of his efforts to safeguard the family jewels from his two great media rivals, Mr Rupert Murdoch and Mr Kerry Packer.

One consolation is that neither of these rivals is well placed to exploit the Fairfax struggles. Mr Packer's Australian Consolidated Press dominates the magazine business in Australia, with titles ranging from the best-selling Australian Woman's Weekly through to the business journal Australian Business. He owns no newspapers.

Mr Murdoch's publications control 70 per cent of the daily metropolitan newspaper circulation, with titles ranging from the Daily Australian Newspaper to the recently-merged Sydney Daily Telegraph Mirror.

Financial restructuring plans have been under consideration almost since Mr Fairfax took over three years ago because the levels of debt were widely believed to be unsustainable.

However, Mr Fairfax, who still held 100 per cent of the ordinary voting equity, used his power to dismiss the board, comprising former CSR head Mr Bryan Kelman, former Reserve Bank governor Mr Bob Johnston and the Fairfax chief executive of one week, Mr Chris Anderson.

After the coup, veteran merchant banker Mr Keith Halkerstone and Wardley executive Mr Bill Beerworth were appointed to the Fairfax board.

The most likely scenario for the future is a recapitalisation through a share flotation.

# Garuzzo to head all of Fiat group

By Haig Simonian in Milan

MR GIORGIO GARUZZO, the managing director of Iveco, the Italian truck manufacturer which is part of the Fiat concern, is to be the head of the Fiat group's entire automotive activities in a big management restructuring.

The changes, which reflect the increasing weight of Fiat's core automotive business, will allow Mr Cesare Romiti, 67, the Fiat group's managing director, to concentrate on wider activities.

They also put the spotlight on Mr Garuzzo, 52, as the most likely successor to Mr Romiti. Meanwhile, Mr Francesco Paolo Mattioli will take responsibility for all the group's non-auto businesses.

Mr Romiti had taken charge of Fiat's automotive side following the departure in 1988 of Mr Vittorio Ghidella, who was formerly responsible for the auto business.

The new structure is designed to leave Mr Romiti greater freedom to supervise the group's increasingly diversified operations, while putting in a trusted heavyweight manager in charge of the key automotive side at an increasingly tough time in the market.

Fiat has seen a marked decline in its share of the all-important Italian market this year, and has recently put some 75,000 car workers on short time in a bid to reduce stocks. Last month, it also announced the temporary lay off of 2,000 employees at its Geotech tractors and earth-moving equipment arm.

Mr Garuzzo, who joined the Fiat group in 1973 after a career in the electronics industry, has seen his star rise sharply this year in line with the expansion of the group's industrial vehicles activities.

After taking responsibility for Fiat's Geotech subsidiary at the beginning of 1990, he has been closely involved in the takeover of Ford's New Holland tractors subsidiary and the purchase of the Enasa trucks group of Spain.

# Rift emerges over Enimont top post

SHARP divisions emerged yesterday within the executive committee of ENI, the Italian state energy group, over the nomination to the presidency of Enimont of Mr Giorgio Porta, president of the national chemical industry association and formerly of Montedison, writes John Wyles in Rome.

Now wholly owned by ENI following the recent purchase of Montedison's 40 per cent stake, Enimont obviously remains capable of generating political conflict and managerial jealousies.

Mr Alberto Grotti, vice-president of ENI and a nominee of the Christian Democratic party (DC), yesterday acknowledged Mr Porta's qualifications for the top executive job at Enimont, but regretted that the new president had not been found from within ENI.

Mr Grotti's public unhappiness will be seen as reflecting his party's disgruntlement at the fact that Mr Porta is close to the Socialist Party of ENI president Mr Gabriele Cagliari.

Italy's governing parties have been battling behind the scenes to place their own people in top Enimont jobs and it seemed that Mr Cagliari himself would take the presidency until Mr Franco Piga, the DC minister for state shareholdings, recently decreed that it would be against the rules for him to lead both the group and one of its subsidiaries.

The choice of Mr Porta, aged 54, was decided at the weekend during a long meeting of ENI's five-member executive committee.

# Merrill Lynch International M&A.
# Resources that bring results.

## Belgium & Netherlands

**KLM Royal Dutch Airlines**
has sold 75% of
Golden Tulip International B.V.
to Ravast Beheer N.V.

**North American Philips Corporation**
a subsidiary of
N.V. Philips Gloeilampenfabrieken
has sold
Genie Manufacturing Inc.
to an affiliate of
Brynwood Partners II, L.P.

## France

**Honeywell Inc.**
has sold
Honeywell Federal Systems Inc.
to a subsidiary of
Compagnie des Machines Bull

**Usinor Sacilor**
has acquired
a 50% interest in
Georgetown Steel Corporation

**W.R. Grace & Co.**
has sold
Grace Equipment Co.
to
Compagnie Française de l'Afrique Occidentale (CFAO)

## Germany

**Bopp & Reuther AG**
has been acquired by
IWKA Aktiengesellschaft

An Investor Group led by
**Dr. Friedrich Christian Flick**
has sold
approximately 2,700,000 Common Shares of
Feldmühle Nobel AG
to VEBA AG

VEBA AG and **an Investor Group**
have sold approximately 85% of the common stock of
Feldmühle Nobel AG
to Stora Kopparbergs Bergslags AB

**ITT Corporation**
has sold
Transatlantische Allgemeine Versicherung AG
and Telcon Versicherung AG to
Winterthur Schweizerische Versicherungs
Gesellschaft

**Schering-Plough Corporation**
has sold Chicogo GmbH
to Unilever PLC

## Italy

Fiat Group affiliate
**Bioengineering International B.V.**
has acquired 50.1% of
INCSTAR Corporation

**Ente Nazionale Idrocarburi - ENI**
has agreed to purchase
40% of EniMont S.p.A.
from Montedison S.p.A.

**Pirelli SpA**
has acquired an interest in
Continental AG
and has proposed to merge its tyre business with
Continental AG

**STET - Società Finanziaria Telefonica p.a.**
and
American Telephone and Telegraph Company
have exchanged 20% of the shares
of their subsidiaries,
ITALTEL - Società Italiana Telecomunicazioni s.p.a.
and AT&T Network Systems International

## Sweden

**AB Electrolux**
has announced its intention to sell its
Commercial Services Business Area

**Procordia AB**
has sold
Kalmar Industries AB
to Componenta Dynapac AB

**Procordia AB**
has acquired
Provendor AB
a subsidiary of Volvo AB

## United Kingdom

**Bass Public Limited Company**
has acquired the
Holiday Inn Hotel business
from Holiday Corporation

**The Boots Company PLC**
has sold
Childs Corporation to a corporation
organized by Butler Capital Corporation

**BRintec Corporation**
has been acquired by
BICC plc

**Cole National Corporation**
has sold
Eyelab, Inc.
to
a subsidiary of
Grand Metropolitan plc

**Coats Viyella Plc**
has sold
Stevensons (Fabrics Dyers), Wrightwear Fabrics
and J.K. Lace Ltd. to
an Investor Group
led by 3i plc

**Del Monte Corporation**
has sold
Del Monte Foods Europe
to an Investor Group led by
Charterhouse

**Hestair plc**
has been acquired by
BET Public Limited Company

**Pembridge Investments Limited**
has acquired control of
DRG public limited company

**Pembridge Investments Limited**
has sold
John Heath & Co. Limited to
American Trading and Production Corporation

**Schering-Plough Corporation**
has sold
Rimmel International Ltd.
to Unilever PLC

**Whitbread and Company, PLC**
has acquired
Churrasco Steak-Restaurant GmbH
from ACCOR S.A.

## Australia

**Control Data Corporation**
has sold
Control Data Australia Pty Limited
to Miden Corporation Pty Limited

**Elders IXL Limited**
has sold
Roach Tilley Grice & Co.
to McIntosh Hamson Hoare Govett

The Government of Victoria
has agreed to sell
**State Bank of Victoria**
to
Commonwealth Bank of Australia

## Canada

**Corporation d'acquisition Socanav-Caisse Inc.**
has acquired
Steinberg Inc.

**Mobil Oil Canada Ltd.**
has sold
certain oil & gas properties to
Saskatchewan Oil and Gas Corporation

**Opinac Exploration Ltd.**
has acquired certain oil & gas assets from
Poco Petroleum Ltd.

**Quebecor Printing Inc.**
has acquired
the U.S. printing assets of
the Graphics Group Subsidiaries
of Maxwell Communications Group

**Steinberg Inc.**
has sold a 50% interest in
Lantic Sugar Limited
to Jannock Limited

**Steinberg Inc.**
has sold
Miracle Food Mart to
The Great Atlantic & Pacific Tea Company, Inc.

## Japan

**Gen-Probe Incorporated**
has been acquired by
Chugai Pharmaceutical Co., Ltd.

**Ito-Yokado Co., Ltd.** and
Seven-Eleven Japan Co., Ltd.
have agreed to acquire
The Southland Corporation
subject to a restructuring of its indebtedness

**Kyocera Corporation**
has acquired
AVX Corporation

*Merrill Lynch & Co.'s clients appear in bold face type.

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## INTERNATIONAL COMPANIES AND FINANCE

# US steel group set to emerge from Chapter 11

**By Nikki Tait in New York**

WHEELING-PITTSBURGH, the US steel maker, is expected to receive clearance to emerge from Chapter 11 bankruptcy proceedings this week, after a series of court hearings on Friday and over the weekend.

Wheeling said yesterday that Judge Warren Bentz had indicated at the weekend that he would sign the confirmation order within the next few days. With a couple of creditors still raising minor objections last week, the judge was waiting to see some of the final paperwork, it said.

Wheeling's re-emergence will mark the end of one of the longest Chapter 11 bankruptcy cases. The company sought protection from its creditors in April 1985, after ambitious attempts to modernise the company left it with hefty debts and continuing losses in the depressed steel markets of the early 1980s.

For several years the company's affairs were marked first by labour difficulties and by frequent management changes. However, in 1987, Mr William Scharffenberger was brought in by the creditors' committee as chief executive, and proceedings accelerated.

The company has now won backing for a reorganisation plan and also negotiated a new labour agreement with the dominant union, the United Steelworkers of America.

Unsecured creditors will get back about 72 cents on the dollar, while holders of the second mortgage bank claims – which were largely bought by a New York investor, Mr Ron LaBow, and an Australian businessman, Mr David Hains – get up to 68 per cent of the company's equity.

Wheeling-Pittsburgh told the court that – on what it believes are realistic assumptions – it should see profits after tax and interest of about $32.5m in 1991, rising to almost $48m by 1995.

# Northwest wins air routes to Australia

**By Nikki Tait**

NORTHWEST Airlines, the fourth-largest US carrier, has finally secured access to the Australian market, through a deal with Hawaiian Airlines. Northwest has taken a 25 per cent stake in the loss-making airline immediately, with an option to raise it to 51 per cent.

Northwest has been trying to secure an entry into Australia, but lost to American Airlines in a route allocation about two years ago.

The Hawaiian deal will give Northwest a route authority between Sydney and Honolulu, but the airline said yesterday it hoped to switch this to a Sydney-Los Angeles passage.

Northwest will pay Hawaiian and its parent company, HAL, $20m, including $7m as a secured loan. The two airlines will collaborate on fuel and parts purchasing, frequent flier programmes, co-ordinated schedules and marketing.

Northwest will also lease two wide-bodied aircraft to Hawaiian, so that the latter can operate seven flights a week on the Honolulu-Fukuoka (Japan) route.

Hawaiian will also transfer its Guam-Saipan and Nagoya-Fukuoka routes to Northwest.

Hawaiian, based in Honolulu, flies mainly between the Hawaiian islands, and has faced tough competition from the larger US carriers in building up traffic to the mainland US. It has also faced severe financial problems, reporting a more-than-tripled loss in the first six months of 1990 at $43m. Revenue in the period declined to $160.7m, against nearly $168m a year earlier.

# Ariane seeks new skies to conquer

**Paul Betts** reports on the future for Europe's satellite launcher

The hot and humid tropical night was filled with expectation and the smell of cigarettes. On the balcony of the European Space Centre in French Guiana, a group of onlookers kept their eyes glued on the horizon.

The sky was suddenly ablaze with fire as the European rocket Ariane lifted off with the roar of 30 Concordes, disappeared behind a storm cloud, reappeared briefly as it shot past Devil's Island, then vanished into the night.

Inside the Jupiter control centre, tension was rapidly replaced by a mood of relief and elation when Mr Yves Guerin, the head of Ariane's 40th mission, announced half an hour later that the rocket had successfully placed into orbit two US commercial telecommunications satellites.

The launch was particularly important for Arianespace, the European satellite launch company 56.6 per cent-controlled by French state and private shareholders, because it was the last before the official celebrations in Paris today of Arianespace's 10th anniversary.

The party had been postponed for six months after the embarrassing failure of the rocket's 36th launch last February which destroyed two Japanese commercial satellites. The failure was caused by a cloth left in the rocket's cooling system.

Since then, Ariane has launched in the record time of less than four months, eight commercial satellites, including two American ones at the end of last month. The anniversary celebrations, however, are likely to be short-lived.

Although the European rocket again proved its technical reliability as a satellite launcher, trade frictions are running high between the Europeans, the Americans and increasingly the Chinese and the Soviets in the $2bn-a-year commercial satellite launch business.

"The US currently protects its industry by restricting the large government satellite launch market only to US companies such as General Dynamics, McDonnell Douglas and Martin Marietta," says Mr Charles Bigot, the chairman of Arianespace.

"The US also favours its domestic companies by making them pay only a very small part of the launch-pad costs for commercial operations at the same time as the government is covering all the costs for military satellite launches," he adds.

Arianespace regards itself as a commercial enterprise with French public limited company status. But the US has long argued that the European satellite launch company, whose largest single shareholder remains the French national space research centre CNES, has benefited from as much government subsidy as its American competitors. The French government and state agencies have funded the Guiana space centre and continue to be responsible for the design and development of the rocket programme.

During the past 10 years, Ariane has steadily increased its share of the western world's commercial satellite launch market.

With an order backlog of 34 satellites worth about $2.9bn, it now accounts for about 50 per cent of commercial orders in the west.

Although modest by comparison with the overall US or Soviet space programmes, Ariane has given Europe leadership in the commercial space transport business, says Mr Bigot.

The achievement has been more remarkable because Arianespace was set up when rockets, or expendable launch vehicles (ELVs) as they are known, were widely believed to have become redundant.

The US threw its lot into the development of the space shuttle. But the Europeans, explains Mr Klaus Iserland, head of international affairs at Arianespace, considered a manned shuttle too complex a system on which to build a reliable commercial space transport business.

"The founding of Arianespace was more than the re-institution of ELVs. It introduced a new concept in dealing with space launching. The idea was that not only could launchers be produced and sold like aircraft, but that a comprehensive launch service had to be offered to the market," he says.

Arianespace offers its customers financing facilities, satellite insurance cover, and other services.

The disaster that befell the US shuttle Challenger four years ago and the long interruption in US shuttle flights vindicated the European decision to concentrate on rocket technology. It also propelled Ariane into the big league of the commercial space market.

But the troubles of the shuttle led to a change in US space policy. The three US launcher manufacturers were encouraged by the Reagan administration to compete for commercial satellite launches against Ariane.

The European rocket has increasingly been feeling the heat from the more aggressive commercial approach of its US rivals. But Mr Bigot says competition is distorted because 80 per cent of the business for Ariane's US competitors comes from US government satellites.

Although the US Air Force has shown interest in Ariane and is due to send a delegation to visit the Guiana space facilities soon, it is unlikely that Washington will open the US government satellite market to outside competition.

Another problem for the European satellite launcher is the drop in the value of the US currency, which has given an additional competitive edge to its US rivals. Although Arianespace has sought to streamline production, shorten rocket production cycles and reduce costs during the past year, the decline in the dollar has virtually cancelled out this rationalisation, according to Mr Iserland.

Negotiations to establish a set of fair trading rules for satellite launches between the European Space Agency and the Bush administration started in September and resumed this month in Washington. Both sides hope to reach an agreement sometime next year.

The Europeans are also anxious to see any agreement on competition rules include Japan, which is developing its space launch industry, and countries with non-market economies such as the Soviet Union and China, both keen to enter the western launch market.

China has won launch orders for an Australian satellite and an Arab telecommunications satellite by offering extremely low prices.

The Arianespace chairman is concerned about the Soviet Union's huge satellite launch capacity. "It makes an agreement on competition rules all the more urgent because only 10 per cent of Soviet rocket production would be sufficient to capture the total worldwide commercial launch market," he warns.

Mr Bigot is also worried that the end of the cold war could encourage western governments to press commercial satellite operators to give some business to the Soviets. He believes it is necessary for the US and Europe to show a common front to negotiate adequate ground rules on this issue with Moscow.

"Although western customers are prepared to pay 10-15 per cent more for a western launcher since going east is more of an adventure, customers could clearly be tempted to take a risk if they could achieve a saving of 50 per cent, which is what the Chinese have done," Mr Bigot adds.

While campaigning for an international trade pact, Arianespace and the ESA are working on the next generation of launch vehicles to replace the current family of Ariane IV rockets with a larger and more powerful rocket, Ariane V, with a payload capacity of about six tonnes. The new rocket will be able to launch simultaneously two large satellites.

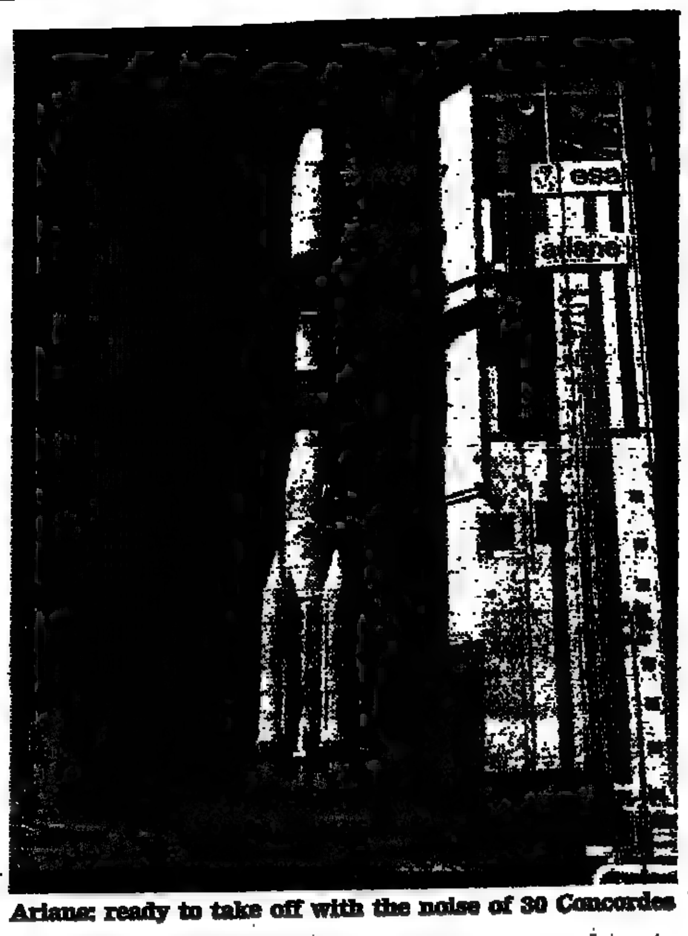
"Operators are turning increasingly to heavier satellites and Ariane V will become our workhorse for this new generation of big satellites as well as the launch vehicle for Hermes, the European spaceplane," explains Mr Bigot.

European governments are expected to launch the Ecu4.5bn ($3.25bn) Hermes programme next year. Four European companies including Aerospatiale and Dassault of France, Deutsche Aerospace and Alenia, the Italian aerospace group, have agreed to set up an industrial consortium to develop the European spaceplane which will act, in Mr Bigot's words, as a "taxi to space" carrying three astronauts and up to three tonnes of payload.

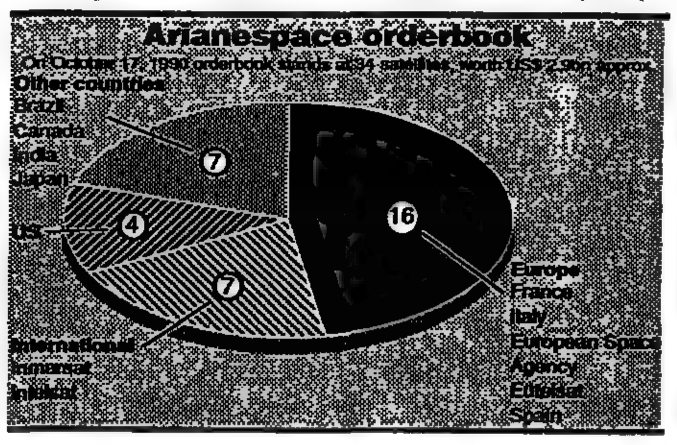
Britain, with its jaundiced attitude to large space projects, caused to a large extent by fears of embarking into another costly Concorde adventure, has decided not to participate in Ariane V nor in the Hermes spaceplane programme. Britain, says Mr Bigot, has preferred to concentrate its efforts on satellite payloads rather than in space transport.

But signs are appearing in the UK of a gradual reassessment of the longer-term opportunities space could offer. At the Farnborough air show this year, the UK and the Soviet Union announced plans to study the joint development of a space satellite launch system based on the UK's Hotol (the Horizontal Take-Off and Landing space vehicle).

"After Ariane V there is unlikely to be an Ariane VI rocket," says Mr Bigot. Instead, he expects there to be a new integrated system of space transport based on more global collaboration. "But the priority now is to develop and prepare Ariane V as the next stage in space transport," he emphasises.



Ariane: ready to take off with the noise of 30 Concordes




# Fluor net surges 35% to $147m

**By Nikki Tait**

FLUOR, one of the world's largest engineering and construction services companies, saw profits surge by 35 per cent in the year to the end of October. The company's results were boosted by sharply higher figures from its core business activities.

It made $146.9m after tax in the 12-month period, compared with $108.5m in the same period a year earlier. At the earnings-per-share level, this translates into $1.81, up 34 per cent on the $1.35 scored in 1988-89.

The figure is slightly distorted by one-off profits, but there was a marginally larger non-recurring item in 1988-89, leaving the underlying comparison between the two years virtually unaffected.

In the year just ended, Fluor saw a gain of 10 cents a share from the sale of Pea Ridge Iron Ore Company, while, in the previous year, it benefited to the tune of 11 cents a share from a settlement with National Iranian Oil Company.

The 1989-90 results were achieved on the back of revenues some 19 per cent higher, at $7.4bn. The company saw a dip in profits during the second quarter of the year, but pulled back in the subsequent six months. Profits in the final quarter alone were up by 40 per cent on the previous year.

However, Fluor said that Fluor Daniel, the main engineering and construction business, saw the sharpest profits increase. The order book rose by 14 per cent to $9.6bn.

Elsewhere, the group's coal and lead investments showed a small improvement, largely because of a strong advance at A.T. Massey Coal. Operating earnings for Doe Run, Fluor's lead investment, declined due to lower by-product credits.

# National Semiconductor improves in second quarter

**By Louise Kehoe in San Francisco**

NATIONAL Semiconductor, struggling to regain its earnings momentum after two years of heavy losses, recorded a small net profit for its second fiscal quarter, which ended on November 25.

The Silicon Valley chip maker reported net earnings of $3.5m or 1 cent per share, against $2.4m last time.

Results for the latest quarter include a $2.4m credit from the reversal of earlier restructuring charges.

In the first quarter of fiscal 1991 National recorded a pre-tax restructuring charge of $143.6m in connection with the closure of one of its production plants.

Second-quarter sales rose to $427.4m from $416.8m in the same quarter last year.

For the first half of fiscal 1991, the company lifted sales to $870.1m, but suffered a net loss of $162m or $1.62 per share. Sales in the first half of the previous financial year were $814.4m, and the company recorded a net loss of $19.5m, or 26 cents.

During the second quarter, National announced it had signed a letter of intent for the sale of its Puyallup, Washington, factory to Matsushita Electronics. The company expects to close the transaction in the first quarter of calendar 1991.

"The significant improvement in operating performance in this quarter, compared with that of the first quarter of this fiscal year, reflects the benefits resulting from the restructuring activity which the company undertook this past August," said Mr Charles Sporck, National Semiconductor president and chief executive.

The company reduced debt by $18m to $22.1m, while maintaining its cash position, Mr Sporck noted.

# FSI finance business sold to Investec

**By Philip Gawith in Johannesburg**

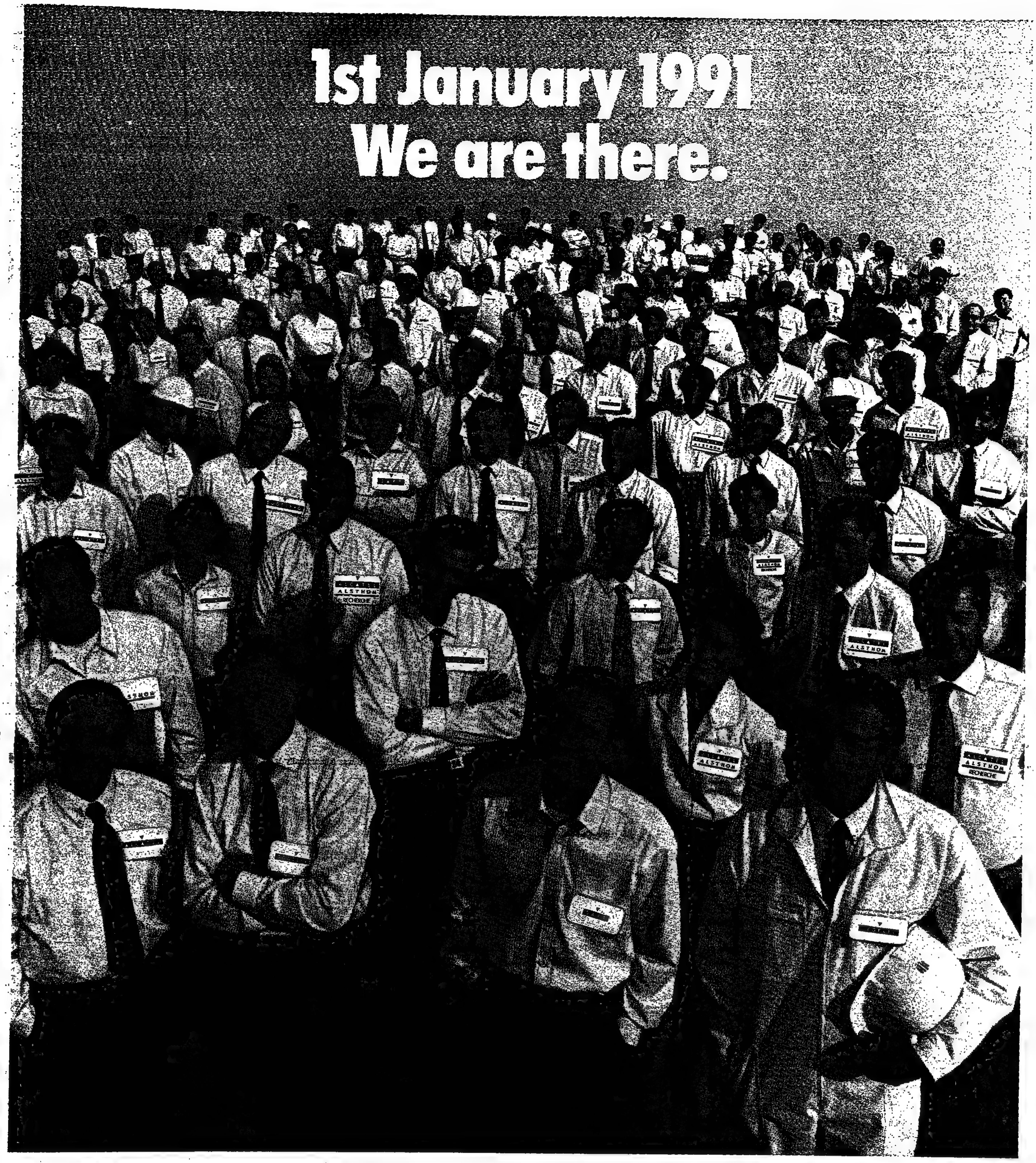
REICHMANS, the South African trade finance company in the FSI group, has been bought by banking group Investec in a deal valued at R50m ($20m).

The sale is in line with FSI's aim of consolidating and building its core businesses, the manufacture and distribution of basic consumer and industrial goods. Reichmans becomes part of a larger financial services group.

The deal comes when barriers to South African trade are starting to come down and new markets are opening up.

Reichmans' listing will be terminated and shareholders will be offered one Reichmans redeemable preference share carrying a 13.5 per cent coupon on 140 cents for every Reichmans ordinary share held.

هكذا من الأصل




When 1991 begins, everyone will be living in a better world. Actually, for many years 210,000 men and women have been working together to ensure that everyone can live in a world of better communication, easier travel and in a safer environment. But our name has remained relatively unknown. This is despite the fact that our strength lies with our presence throughout the world and in a wide range of sectors. Therefore, we thought that it was time to bring all our expertise under one banner which would reflect this advantage to the world. So on January 1 st, we'll have a new name: CGE will become Alcatel Alsthom.

ALCATEL
ALSTHOM

Alcatel Alsthom 54, rue La Boétie 75008 Paris, France

HDM

# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday December 10, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 51.0413 | 34.6724 | 38.6939 |
| Albania | (Lek) | 10.1379 | 5.2136 | 3.5416 | 3.9523 |
| Algeria | (Dinar) | 18.5511 | 9.5402 | 6.4807 | 7.2323 |
| Andorra | (Fr Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| | (Sp Peseta) | 183.15 | 94.1887 | 63.9825 | 71.4035 |
| Angola | (Kwanza) | 59.482 | 30.5898 | 20.7797 | 23.1898 |
| Antigua | (E Carr $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| Argentina | (Austral) | 9745.25 | 5011.7 | 3404.43 | 3799.32 |
| Aruba | (Florin) | 3.4950 | 1.7973 | 1.2209 | 1.3625 |
| Australia | (Aus $) | 2.5470 | 1.3098 | 0.8897 | 0.9929 |
| Austria | (Schilling) | 20.125 | 10.3497 | 7.0308 | 7.846 |
| Azores | (Port Escudo) | 253.00 | 130.111 | 88.3842 | 98.6354 |
| Bahamas | (Bahama $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Bahrain | (Dinar) | 0.7365 | 0.3787 | 0.2572 | 0.2871 |
| Balearic Is | (Sp Peseta) | 183.15 | 94.1887 | 63.9825 | 71.4035 |
| Bangladesh | (Taka) | 67.90 | 34.919 | 23.7285 | 26.4717 |
| Barbados | (Barb $) | 3.9271 | 2.0195 | 1.3719 | 1.531 |
| Belgium | (Belg Fr) | 59.30 | 30.4962 | 20.7161 | 23.1189 |
| Belize | (B $) | 3.9050 | 2.0082 | 1.3641 | 1.5224 |
| Benin | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Bermuda | (Bermudian $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Bhutan | (Ngultrum) | 35.00 | 17.9994 | 12.227 | 13.6452 |
| Bolivia | (Boliviano) | 6.5409 | 3.3637 | 2.285 | 2.55 |
| Botswana | (Pula) | 3.60 | 1.8513 | 1.2576 | 1.4035 |
| Brazil | (Cruzeiro) | 292.10 | 150.219 | 102.044 | 113.879 |
| Brunei | (Brunei $) | 3.3410 | 1.7181 | 1.1671 | 1.3025 |
| Bulgaria | (Lev) | 5.3665 | 2.7598 | 1.8747 | 2.0922 |
| Burkino Faso | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Burma | (Kyat) | 11.578 | 5.9542 | 4.0447 | 4.5138 |
| Burundi | (Burundi Fr) | 316.975 | 163.011 | 110.734 | 123.577 |
| Cambodia | (Riel) | 895.60 | 460.581 | 312.873 | 349.162 |
| Cameroon | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Canada | (Canadian $) | 2.2515 | 1.1578 | 0.7865 | 0.8777 |
| Canary Is | (Sp Peseta) | 183.15 | 94.1887 | 63.9825 | 71.4035 |
| Cp. Verde | (CV Escudo) | 126.034 | 64.8156 | 44.0293 | 49.136 |
| Cayman Is | (CI $) | 1.6206 | 0.8334 | 0.5661 | 0.6318 |
| Cent. Afr. Rep | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Chad | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Chile | (Chilean Peso) | 646.10 | 332.271 | 225.712 | 251.891 |
| China ‡ | (Renminbi Yuan) | 10.1230 | 5.2059 | 3.5364 | 3.9465 |
| Colombia | (Col Peso) | 1076.20 | 553.458 | 375.965 | 419.571 |
| Comoros | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Congo (Brazz) | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Costa Rica | (Colon) | 202.084 | 103.926 | 70.597 | 78.7851 |
| Côte d'Ivoire | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Cuba | (Cuban Peso) | 1.5552 | 0.7997 | 0.5433 | 0.6063 |
| Cyprus | (Cyprus £) | 0.8370 | 0.4304 | 0.2924 | 0.3263 |
| Czechoslovakia | (Koruna) | 45.98c | 23.6461 | 16.0628 | 17.9259 |
| | | 59.60t | 30.6505 | 20.8209 | 23.2358 |
| Denmark | (Danish Kroner) | 11.0100 | 5.6621 | 3.8462 | 4.2923 |
| Djibouti Rep | (Djib Fr) | 344.50 | 177.166 | 120.349 | 134.308 |
| Dominica | (E Carrib $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| Dominican Rep | (D Peso) | 21.868 | 11.246 | 7.6394 | 8.5255 |
| Ecuador | (Sucre) | 1714.40o | 881.666 | 598.917 | 668.382 |
| | | 1682.30a | 865.158 | 587.703 | 655.867 |
| Egypt | (Egyptian £) | 5.6525 | 2.9069 | 1.9746 | 2.2037 |
| El Salvador | (Colon) | 12.3920 | 6.3728 | 4.329 | 4.8311 |
| Equat'l Guinea | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Ethiopia | (Ethiopian Birr) | 4.0075 | 2.0609 | 1.4 | 1.5623 |
| Falkland Is | (Falk £) | 1.00 | 0.5142 | 0.3493 | 0.3898 |
| Faroe Is | (Danish Kroner) | 11.0100 | 5.6621 | 3.8462 | 4.2923 |
| Fiji Is | (Fiji $) | 2.8060 | 1.443 | 0.9802 | 1.0939 |
| Finland | (Markka) | 6.9285 | 3.5631 | 2.4204 | 2.7011 |
| France | (Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Fr. Cty/Africa | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Fr. Guiana | (Local Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Fr. Pacific Is | (CFP Fr) | 175.90 | 90.4602 | 61.4497 | 68.5769 |
| Gabon | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Gambia | (Dalasi) | 14.763 | 7.5921 | 5.1573 | 5.7555 |
| Germany | (D-Mark) | 2.8625 | 1.4721 | 1 | 1.1159 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Ghana | (Cedi) | 670.00 | | | |
| Gibraltar | (Gib £) | 1.00 | 0.5142 | 0.3493 | 0.3898 |
| Greece | (Drachma) | 298.75 | 153.698 | 104.367 | 116.472 |
| Greenland | (Danish Krone) | 11.0100 | 5.6621 | 3.8462 | 4.2923 |
| Grenada | (E Carr $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| Guadaloupe | (Local Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Guam | (US $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Guatemala | (Quetzal) | 10.1050 | 5.1967 | 3.5301 | 3.9395 |
| Guinea | (Fr) | 1210.58a | 622.551 | 422.9 | 471.949 |
| | | 585.75n | 301.234 | 204.629 | 228.363 |
| Guinea-Bissau | (Peso) | 1269.125 | 652.674 | 443.362 | 494.786 |
| Guyana | (Guyanese $) | 87.60 | 45.0501 | 30.6026 | 34.152 |
| Haiti | (Gourde) | 9.7625 | 5 | 3.4104 | 3.806 |
| Honduras | (Lempira) | 11.0395 | 5.6772 | 3.8565 | 4.3038 |
| Hong Kong | (HK $) | 15.2480 | 7.8416 | 5.3268 | 5.9446 |
| Hungary | (Forint) | 117.873 | 60.6186 | 41.1783 | 45.9543 |
| Iceland | (Icelandic Krona) | 106.25 | 54.6412 | 37.1179 | 41.423 |
| India | (Indian Rupee) | 35.00 | 17.9994 | 12.227 | 13.6452 |
| Indonesia | (Rupiah) | 3695.92 | 1900.7 | 1291.15 | 1440.9 |
| Iran | (Rial) | 124.80 | 64.181 | 43.5982 | 48.6549 |
| Iraq | (Iraqi Dinar) | 0.60728 | 0.3122 | 0.2121 | 0.2367 |
| Irish Rep | (Punt) | 1.0745 | 0.5525 | 0.3753 | 0.4189 |
| Israel | (Shekel) | 3.90 | 2.0056 | 1.3624 | 1.5204 |
| Italy | (Lira) | 2162.25 | 1111.98 | 755.371 | 842.982 |
| Jamaica | (Jamaican $) | 15.20 | 7.8169 | 5.31 | 5.9259 |
| Japan | (Yen) | 256.50 | 131.911 | 89.6069 | 100 |
| Jordan | (Jordanian Dinar) | 1.27 | 0.6531 | 0.4436 | 0.4951 |
| Kenya | (Kenya Shilling) | 45.70 | 23.5021 | 15.965 | 17.8167 |
| Kiribati | (Australian $) | 2.5470 | 1.3098 | 0.8897 | 0.9929 |
| Korea North | (Won) | 1.8939 | 0.9739 | 0.6616 | 0.7383 |
| Korea South | (Won) | 1397.25 | 718.565 | 488.122 | 544.737 |
| Kuwait ‡ | (Kuwaiti Dinar) | . | | | |
| Laos | (New Kip) | 1337.46 | 687.817 | 467.235 | 521.427 |
| Lebanon | (Lebanese £) | 1440.7 | 740.91 | 503.301 | 561.676 |
| Lesotho | (Maluti) | 4.8910 | 2.5152 | 1.7086 | 1.9068 |
| Liberia | (Liberian $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Libya | (Libyan Dinar) | 0.5215 | 0.2681 | 0.1821 | 0.2033 |
| Liechenstein | (Swiss Fr) | 2.4550 | 1.2625 | 0.8576 | 0.9571 |
| Luxembourg | (Lux Fr) | 59.30 | 30.4962 | 20.7161 | 23.1189 |
| Macao | (Pataca) | 15.704 | 8.0761 | 5.4861 | 6.1224 |
| Madagascar | (MG Fr) | 2585.90 | 1329.85 | 903.371 | 1008.15 |
| Madeira | (Port Escudo) | 253.00 | 130.111 | 88.3842 | 98.6354 |
| Malawi | (Kwacha) | 4.9800 | 2.561 | 1.7397 | 1.9415 |
| Malaysia | (Ringgit) | 5.2705 | 2.7104 | 1.8412 | 2.0547 |
| Maldive Is | (Rufiya) | 18.570 | 9.55 | 6.4873 | 7.2397 |
| Mali Rep | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Malta | (Maltese £) | 0.5810 | 0.2987 | 0.2029 | 0.2265 |
| Martinique | (Local Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Mauritania | (Ouguiya) | 153.78 | 79.0845 | 53.7222 | 59.9532 |
| Mauritius | (Maur Rupee) | 27.45 | 14.1167 | 9.5895 | 10.7017 |
| Mexico | (Mexican Peso) | 5746.50e | 2955.26 | 2007.51 | 2240.35 |
| | | 5722.00d | 2942.66 | 1998.95 | 2230.8 |
| Miquelon | (Local Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Monaco | (French Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Mongolia | (Tugrik) | 6.5516 | 3.3692 | 2.2887 | 2.5542 |
| Montserrat | (E Carr $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| Morocco | (Dirham) | 15.8860 | 8.1697 | 5.5496 | 6.1933 |
| Mozambique | (Metical) | 1996.04 | 1026.51 | 697.307 | 778.183 |
| Namibia | (S A Rand) | 4.8910 | 2.5152 | 1.7086 | 1.9068 |
| Nauru Is | (Australian $) | 2.5470 | 1.3098 | 0.8897 | 0.9929 |
| Nepal | (Nepalese Rupee) | 57.814 | 29.732 | 20.197 | 22.5395 |
| Netherlands | (Guilder) | 3.2275 | 1.6598 | 1.1275 | 1.2582 |
| N'nd Antilles | (A/Guilder) | 3.4950 | 1.7973 | 1.2209 | 1.3625 |
| New Zealand | (NZ $) | 3.2140 | 1.6528 | 1.1227 | 1.253 |
| Nicaragua | (Cordoba) | 3601950.0 | 1852379 | 1258323 | 1404269 |
| Niger Rep | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Nigeria | (Naira) | 16.596 | 8.5348 | 5.7977 | 6.4701 |
| Norway | (Nor. Krone) | 11.2150 | 5.7675 | 3.9179 | 4.3723 |
| Oman | (Rial Omani) | 0.7536 | 0.3875 | 0.2632 | 0.2937 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Pakistan | (Pak. Rupee) | 42.50 | 21.8565 | 14.8471 | 16.5692 |
| Panama | (Balboa) | 1.9445 | 1 | 0.6793 | 0.758 |
| Papua New Guinea | (Kina) | 1.8465 | 0.9496 | 0.645 | 0.7198 |
| Paraguay | (Guarani) | 2398.50 | 1233.48 | 837.904 | 935.088 |
| Peru | (Intl) | 961274.0 | 494355 | 335816 | 374766 |
| Philippines | (Peso) | 54.00 | 27.7706 | 18.8646 | 21.0526 |
| Pitcairn Is | (£ Sterling) | 1.00 | 0.5142 | 0.3493 | 0.3898 |
| | (NZ $) | 3.2140 | 1.6528 | 1.1227 | 1.253 |
| Poland | (Zloty) | 18315.00 | 9418.87 | 6398.25 | 7140.35 |
| Portugal | (Escudo) | 253.00 | 130.111 | 88.3842 | 98.6354 |
| Puerto Rico | (US $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Qatar | (Riyal) | 7.1315 | 3.6675 | 2.4913 | 2.7803 |
| Reunion Is. de la | (F/Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| Romania † | (Leu) | 68.34 | 35.1452 | 23.8742 | 26.6432 |
| Rwanda | (Fr) | 230.40 | 118.488 | 80.489 | 89.8245 |
| St Christopher | (E Carr $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| St Helena | (£) | 1.00 | 0.5142 | 0.3493 | 0.3898 |
| St Lucia | (E Carr $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| St Pierre | (French Fr) | 9.7325 | 5.0051 | 3.4 | 3.7943 |
| St Vincent | (E Carr $) | 5.2718 | 2.7111 | 1.8416 | 2.0552 |
| San Marino | (Italian Lira) | 2162.25 | 1111.98 | 755.371 | 842.982 |
| Sao Tome | (Dobra) | 294.24 | 151.319 | 102.791 | 114.713 |
| Saudi Arabia | (Riyal) | 7.3460 | 3.7778 | 2.5662 | 2.8639 |
| Senegal | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Seychelles | (Rupee) | 9.80 | 5.0398 | 3.4235 | 3.8206 |
| Sierra Leone | (Leone) | 331.00 | 170.224 | 115.633 | 129.045 |
| Singapore | ($) | 3.3410 | 1.7181 | 1.1671 | 1.3025 |
| Solomon Is | ($) | 5.0205 | 2.5818 | 1.7538 | 1.9573 |
| Somali Rep | (Shilling) | 5115.55 | 2630.78 | 1787.09 | 1994.37 |
| South Africa | (Rand) | 4.8910c | 2.5152 | 1.7086 | 1.9068 |
| | | 6.7370g | 3.4646 | 2.3535 | 2.6265 |
| Spain | (Peseta) | 183.15 | 94.1887 | 63.9825 | 71.4035 |
| Spanish Ports in N Africa | (Sp Peseta) | 183.15 | 94.1887 | 63.9825 | 71.4035 |
| Sri Lanka | (Rupee) | 79.00 | 40.6274 | 27.5982 | 30.7992 |
| Sudan Rep | (£) | 8.786o | 4.5183 | 3.0693 | 3.4253 |
| | | 22.356g | 11.497 | 7.8099 | 8.7157 |
| Surinam | (Guilder) | 3.4852 | 1.7923 | 1.2175 | 1.3587 |
| Swaziland | (Lilangeni) | 4.8910 | 2.5152 | 1.7086 | 1.9068 |
| Sweden | (Krona) | 10.7875 | 5.5476 | 3.7685 | 4.2056 |
| Switzerland | (Fr) | 2.4550 | 1.2625 | 0.8576 | 0.9571 |
| Syria | (£) | 41.003 | 21.0866 | 14.3241 | 15.9855 |
| Taiwan | ($) | 53.00 | 27.2563 | 18.5152 | 20.6627 |
| Tanzania | (Shilling) | 380.05 | 195.449 | 132.769 | 148.168 |
| Thailand | (Baht) | 48.20 | 24.7878 | 16.8384 | 18.7914 |
| Togo Rep | (CFA Fr) | 486.60 | 250.244 | 169.991 | 189.708 |
| Tonga Is | (Pa Anga) | 2.5470 | 1.3098 | 0.8897 | 0.9929 |
| Trinidad/Tobago | ($) | 8.2981 | 4.2674 | 2.8988 | 3.2351 |
| Tunisia | (Dinar) | 1.6063 | 0.826 | 0.5611 | 0.6262 |
| Turkey | (Lira) | 5500.05 | 2828.52 | 1921.41 | 2144.27 |
| Turks & Caicos | (US $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Tuvalu | (Australian $) | 2.5470 | 1.3098 | 0.8897 | 0.9929 |
| Uganda | (New Shilling) | 987.85 | 508.023 | 345.1 | 385.127 |
| U A E | (Dirham) | 7.1950 | 3.7001 | 2.5135 | 2.805 |
| United Kingdom | (£) | 1.00 | 0.5142 | 0.3493 | 0.3898 |
| United States | (US $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Uruguay | (Peso) | 2855.40 | 1468.45 | 997.52 | 1113.22 |
| USSR | (Rouble) | 1.0780o | 0.5543 | 0.3765 | 0.4202 |
| | | 3.2465c | 1.6695 | 1.1341 | 1.2656 |
| Vanuatu | (Vatu) | 222.40 | 114.374 | 77.6943 | 86.7056 |
| Vatican | (Lira) | 2162.25 | 1111.98 | 755.371 | 842.982 |
| Venezuela | (Bolivar) | 98.65 | 50.7328 | 34.4628 | 38.46 |
| Vietnam | (Dong) | 12593.63 | 6476.54 | 4399.52 | 4909.8 |
| Virgin Is-British | (US $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Virgin Is-US | (US $) | 1.9445 | 1 | 0.6793 | 0.758 |
| Western Samoa | (Tala) | 4.4010 | 2.2633 | 1.5374 | 1.7157 |
| Yemen | (Rial) | 23.528 | 12.0997 | 8.2193 | 9.1727 |
| Yemen PDR | (Dinar) | 0.9001 | 0.4628 | 0.3144 | 0.3509 |
| Yugoslavia | (Dinar) | 20.2120 | 10.3944 | 7.0609 | 7.8799 |
| Zaire Rep | (Zaire) | 2975.00 | 1529.96 | 1039.3 | 1159.84 |
| Zambia | (Kwacha) | 87.50 | 44.9987 | 30.5676 | 34.113 |
| Zimbabwe | ($) | 4.9600 | 2.5507 | 1.7327 | 1.9337 |

Special Drawing Rights December 7 United Kingdom £0.739429 United States $1.43671 Germany D Mark 2.13179 Japan Yen190.508
European Currency Unit Rates December 10 United Kingdom £0.711350 United States $1.39033 Germany D Mark 2.04073 Japan Yen182.857

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡ Kuwait Dinar unavailable
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday December 10, 1990



# INTERNATIONAL CAPITAL MARKETS

## Weakness of pound ends strong surge by gilts

By Deborah Hargreaves in London and Patrick Harverson in New York

THE STRONG run in the UK market for gilt-edged securities petered out yesterday as traders saw some consolidation after last week's surge in prices. Market sentiment was dampened by the weakness of the pound against the D-Mark, but there is also a feeling that the market will be quieter in the run-up to Christmas.

While prices held steady for most of the day, they were pushed down towards the close when a long-dated issue maturing in 2003/07 lost almost half a point to 107⅜ to offer a yield of 10.6 per cent. There was some profit-taking yesterday after last week's market experienced some buying from investors who have shied away from gilts for many months.

In addition, movement yesterday was characterised by investors switching holdings from the long end of the market to short-dated maturities after the release of economic data which looked positive for gilts. Gilts traders are losing hope of a cut in interest rates before the end of the year as sterling has dropped to the bottom of its band in the exchange rate mechanism. The Bank of England's trade-weighted index showed the pound falling yesterday from a level of 93.5 to 93.3 at the close.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 103-19 | -03/32 | 11.19 | 11.19 | 11.62 |
| | | 9.000 | 03/00 | 90-26 | -06/32 | 10.58 | 10.69 | 11.36 |
| | | 9.000 | 10/08 | 90-04 | -08/32 | 10.20 | 10.36 | 10.87 |
| US TREASURY * | | 8.500 | 11/00 | 103-19 | +13/32 | 7.98 | 8.31 | 8.49 |
| | | 8.750 | 08/20 | 108-28 | +20/32 | 8.13 | 8.46 | 8.65 |
| JAPAN | No 119 | 4.800 | 6/99 | 87.5008 | +0.095 | 7.18 | 7.37 | 7.69 |
| | No 129 | 6.400 | 03/00 | 97.3918 | +0.177 | 6.86 | 7.03 | 7.54 |
| GERMANY | | 9.000 | 10/00 | 101.3900 | +0.140 | 8.78 | 8.80 | 9.07 |
| FRANCE | BTAN | 9.000 | 11/95 | 95.7276 | -0.108 | 10.13 | 10.08 | 10.24 |
| | OAT | 8.500 | 03/00 | 91.5400 | -0.140 | 9.92 | 9.96 | 10.35 |
| CANADA * | | 10.500 | 03/01 | 101.9500 | +0.450 | 10.18 | 10.65 | 10.76 |
| NETHERLANDS | | 9.250 | 11/00 | 101.3700 | -0.020 | 9.03 | 9.06 | 9.22 |
| AUSTRALIA | | 13.000 | 07/00 | 108.2824 | +0.759 | 11.89 | 12.10 | 12.83 |
| BELGIUM | | 10.000 | 08/00 | 100.4500 | -0.100 | 9.67 | 9.89 | 9.89 |

London closing, * New York closing
Yields: Local market standard

Prices: US, UK in 32nds, others in decimal

*Technical Data/ATLAS Price Sources*

### GOVERNMENT BONDS

■ Expectations of a cut in the discount rate by the Federal Reserve and a growing awareness of the poor health of the US economy helped government bonds yesterday to maintain the gains earned overnight on foreign markets.

At the close in New York the benchmark 30-year Treasury issue was up half a point at 106⅜, yielding 8.134 per cent. Prices were slightly firmer at the short end, with the two-year bond putting on ⅛ at 100⅛, yielding 7.269 per cent.

Bond prices had been higher earlier in the wake of strong overseas buying but a report that Mr Latif Jassim, the Iraqi information minister, had restated Iraq's refusal to withdraw from Kuwait saw prices slip from their peaks as profit-taking took hold.

The market's attention remains focused on the Fed and how it will react to last week's unemployment figures, which were far worse than expected. Analysts were surprised by the speed with which the Fed responded on Friday, setting a 7¼ per cent target for the Fed funds rate via its open market operations.

The Fed is now widely expected to cut the discount rate from 7 per cent to 6½ per cent. Although some in the market had been looking for a discount rate change yesterday, the consensus is that the Fed will move within the next two weeks.

Yesterday, Fed funds were trading below the new target at 7¼ per cent in the absence of Fed intervention, an indication that the market expects a discount rate cut.

Bond watchers are also hoping that the big US money centre banks will reduce their prime rates this week. On Friday, Southwest Bank – a small St Louis-based bank that in the past has been the first to cut interest rates – lowered its prime rate by 25 basis points.

■ IN JAPAN, the market opened on a strong note when yields on the 119 benchmark bond hit 7.18 per cent. The Japanese market continues to be buoyed by the hope that the US may cut interest rates, thus forcing the Bank of Japan to inject more liquidity into the Tokyo money market.

The release of weak economic figures in the US boosted the hopes of Tokyo traders and pushed the yield on the 119 bond through a key resistance level of 7.21 per cent. But the market traded in a narrow range and activity was subdued in advance of a key economic report today.

The Bank of Japan is due to release its Tan-Kan quarterly economic survey today to which the market is looking for some sign on its interest rate policy. Many analysts believe the BoJ will keep rates tight for the end of the year but could move towards some slight easing early next year.

In addition, the issue of 12-year utility bonds by several Japanese electricity companies last week has met with a disappointing reception as Japanese institutions are wary of holding such long-term bonds carrying a 6.9 per cent coupon.

■ THE GERMAN market rally came to a faltering halt yesterday as traders renewed their concern about the situation in the Gulf. The bond which was launched by the Bundesbank last week was fixed for the first time in the cash market at 100.93 which give it a yield of 8.73 per cent.

The yield spread between the French and German markets has narrowed further to a level of 110 basis points after a gradual erosion over the last two weeks. Analysts are now looking for it to drop to around 100 by the end of the year since there is much more potential for upward movement in prices in the French market. The German market is constrained by supply considerations and the costs of unity.

Market observers say the Bundesbank's announcement of a press conference to follow its regular meeting on Thursday does not indicate that it plans to raise interest rates. The bank is expected to announce money supply targets.

### FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 10

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | [illegible] | [illegible] | [illegible] | 8.46 |
| ALBERTA PROVINCE 9 3/8 95 | [illegible] | [illegible] | [illegible] | [illegible] | 8.46 |
| AUSTRIA 8 1/2 00 | 400 | [illegible] | [illegible] | [illegible] | 8.78 |
| BANK OF TOKYO 8 3/8 96 | 100 | [illegible] | [illegible] | [illegible] | 8.91 |
| BELGIUM 9 1/8 92 | 400 | [illegible] | [illegible] | [illegible] | 8.14 |
| BFCE 7 3/4 97 | 150 | [illegible] | [illegible] | [illegible] | 8.99 |
| BNP 8 5/8 94 | [illegible] | [illegible] | [illegible] | [illegible] | 8.19 |
| BP CAPITAL 9 5/8 93 | 150 | [illegible] | [illegible] | [illegible] | 8.46 |
| CANADA 9 ½ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | | | | | |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| COUNCIL EUROPE 7 94 LFr | [illegible] | [illegible] | [illegible] | [illegible] | 9.63 |
| KREDIETCORP 7 93 LFr | 1000 | [illegible] | [illegible] | [illegible] | 9.69 |
| WORLD BANK 8 96 LFr | 1000 | [illegible] | [illegible] | [illegible] | 9.62 |
| AMRO BANK 6 1/4 92 Fl | 150 | [illegible] | [illegible] | [illegible] | 9.83 |
| RABOBANK 5 3/4 99 Fl | 150 | [illegible] | [illegible] | [illegible] | 9.77 |
| ALBERTA PROVINCE 10 92 C$ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BCE INC 9 5/8 93 C$ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BELL CANADA 10 5/8 99 C$ | 150 | [illegible] | [illegible] | [illegible] | [illegible] |
| BRITISH COLUMBIA 9 1/4 93 C$ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | | | | | |

[illegible]

## INTERNATIONAL CAPITAL MARKETS

# Abbey National launches Y20bn structured deal

By Simon London

ABBEY National yesterday tapped the yen sector of the Eurobond market with the type of structured bond offering on which it is increasingly relying.

Launched through Bankers Trust International, the Y20bn three-year issue offers a coupon of 8 per cent and redemption linked to the performance of the Nikkei stock market index.

Abbey National was the 12th-largest issuer of paper in the international bond market during 1989, but has increasingly concentrated on structured deals and private placements during this year. The bank has complemented its half-dozen public issues in 1990 with about 30 private placements.

The proceeds of yesterday's deal have been swapped into floating-rate dollars to finance a portfolio of mortgage-backed securities held by Abbey National in the US. According to Mr Jonathan Nicholls, assistant treasury manager, the arrangement offers funding below the London interbank offered rate.

Opportunities for efficient sterling floating-rate funding for bank and building society borrowers are rare in the current climate.

### INTERNATIONAL BONDS

Sterling floating-rate notes from building society borrowers in particular have been under pressure since early October, with margins over Libor rising sharply. The discounted margin on a basket of building society sterling FRNs compiled by Baring Brothers has risen from 10 basis points to 24.5 basis points over the past two months.

In the D-Mark sector, the European Investment Bank and the Inter-American Development Bank both came with DM300m offerings via Deutsche Bank.

Both carried a 9 per cent coupon, but the seven-year EIB was more aggressively priced at 102¼, against 101¾ on the 10-year IADB deal. By way of compensation, the EIB deal offered more in terms of liquidity, being fungible with its existing DM400m deal launched in October.

However, IADB traded down to 100.30 bid, well inside full fees of 2 per cent. In contrast, EIB traded at less 1¾ bid, a discount equivalent to full fees.

● Citicorp has announced that it will retire an additional $75m of auction-rate preferred stock, bringing the total retired since October to $500m. The bank says that it will redeem outstanding stock on its Series 6a issue at par on January 29 and may undertake open-market buy-back operations before that date.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **YEN** | | | | | | |
| Abbey Nat.Treas.Serv.(b)♦ | 20bn | 8 | 101½ | 1994 | 1⅛/1⅛ | BTI |
| Nagase Fin.Europe BV(a)♦ | 13bn | 7½ | 101⅞ | 1995 | 1⅞/1¼ | Daiwa Europe |
| Flash Series O(g)†♦ | 2.7bn | (g) | 100.10 | 1993 | 10/8bp | Sanwa Int. |
| **D-MARKS** | | | | | | |
| IADB(a)♦ | 300 | 9 | 101¾ | 2000 | 2/1¼ | Deutsche Bk |
| EIB(c)♦ | 300 | 9 | 102¼ | 1997 | 1¾/1⅛ | Deutsche Bk |
| **SWISS FRANCS** | | | | | | |
| IADB(a)♦ | 150 | 7⅛ | 101¾ | 2001 | - | Credit Suisse |
| **US DOLLARS** | | | | | | |
| Nichiei Co.(d)‡♦ | 130 | 4½ | 100 | 1994 | 2¼/1½ | Yamaichi Int. |
| Nippon Syn.Chemical(e)‡♦ | 100 | 4½ | 100 | 1994 | 2¼/1½ | Yamaichi Int. |
| Nippon Soda Co.(f)‡ | 90 | 4⅞ | 100 | 1994 | 2¼/1½ | Nikko Secs. |

☆☆Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Nikkei-linked issue. Non-callable. c) Fungible with existing DM400mn deal, from December. Non-callable. d) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.58%. Non-callable. e) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.5%. Non-callable. f) Coupon was indicated at 5¼%. Non-callable. g) Coupon pays 6-month Libor + 10bp. Non-callable.

# Group aims to protect investors' rights

By Tim Blue in Sydney

AUSTRALIAN investment managers are banding together to protect investors' rights and promote their interests. Formation of the group reflects Australian investment practitioners' concern at some corporate reporting practices.

Called the Australian Investment Managers Group, it claims to have an initial membership of most leading managed funds in the country. Superannuation funds within the group manage more than A$110bn.

Mr Leigh Hall, chairman of the group, is the AMP society's chief investment manager, while Mr Peter Griffin, managing director of Rothschild Australia, is deputy chairman. A steering committee formed at the inaugural meeting in Sydney in late November includes representatives of the National Mutual Life Association, BT Australia, Westpac Bank, the State Authorities Superannuation Board and the Commonwealth Superannuation Investment Trust.

"The group is not intended to advantage institutional shareholders", Mr Hall said yesterday. "Any action would be for all investors and not just for the larger institutional shareholders."

# Difficulty in stock lending practice resolved

By Stephen Fidler, Euromarkets Correspondent

A GROUP headed by the Bank of England appears to have resolved the legal problems surrounding the safety of stock lending.

The problems emerged last month and led some institutional investors, which lend stocks and bonds to increase the return on their investments, to retreat from the market. This temporarily boosted both UK shares and government bonds, which rose on the basis that, without being able to borrow stock, marketmakers would find it difficult to go short.

The question surrounded the legal title to the collateral which is pledged as security by dealers against the value of the shares or bonds they borrow. It was further complicated by the fact that the collateral – usually money market instruments – is often pledged twice: first by the dealer to a money broker and then by the money broker to the institutional lender of the stocks or bonds. UK rules require the money broker, which acts as principal, to stand in the middle in these transactions.

The solution, agreed by the Bank of England-headed Stock Borrowing and Lending Committee on Friday, will involve a change in the wording in the documentation of the transactions. Its effect, in the words of one banker, is to make the shift of collateral "more akin to an outright transfer" than the looser pledge which now prevails.

The committee said it examined the tax and regulatory implications of the change and "it had been concluded that it would result in no change to the treatment of stock lending".

The change, which is expected to be put into effect during the next couple of weeks, was suggested by a working party set up by the committee to discuss the issue. The alteration, which will not involve any change in market practice, is to be formally discussed by the market associations involved and then has to be adopted by the Stock Exchange.

# Exchanges ready for winds of war

## Barbara Durr on circuit breakers to take the panic out of markets

The prospects of war in the Gulf may be receding as diplomatic efforts to resolve the crisis intensify. But US futures and options exchanges are hedging their bets and are bracing themselves for pandemonium if war does break out. The exchanges are imposing new circuit breakers, the trading pauses that aim to drain panic from markets, or reviewing their existing ones.

With the spotlight on oil in the current crisis, the New York Mercantile Exchange, the US energy futures market, felt the most pressure to act. It unveiled a set of circuit breakers last week that included market halts and price limits to stem panic and give traders and investors time to digest news.

Nymex has been wrestling with more volatility than all the other US exchanges since the Iraqi invasion of Kuwait last August, and it expects to have the roughest ride if war breaks out. But Chicago is getting ready for the worst as well. Fresh sets of circuit breakers for stock index futures at the Chicago Mercantile Exchange and the Chicago Board of Trade are on the way.

Proposals to reduce the market movements necessary to trigger market pauses on stock index futures at both Chicago futures exchanges are expected to be approved this week by the Commodity Futures Trading Commission, the futures industry regulator.

The CME trades the Standard & Poor's 500 index future and the CBOT trades futures on the Major Market Index, composed of 20 blue chip stocks. The decision to narrow the circuit breakers on these index futures came before the Iraqi invasion, but the change is viewed as more critical given the prospect of a Gulf conflict.

**PROPOSED CO-ORDINATED CIRCUIT BREAKERS**

| S&P 500 (points) | MMI (points) | DJIA (points) | Approx. % change | Duration of halt (minutes) |
|---|---|---|---|---|
| 12 | 20 | 100 | 3.5 | 60 |
| 24 | 40 | 200 | 7.1 | 90 |
| 36 | 60 | 300 | 10.7 | 120 |
| 48 | 80 | 400 | 14.2 | 120 |

In addition, the CME will retain its current 10 minute price limit of 5 points
Source: Chicago Mercantile Exchange and Chicago Board of Trade

The restrictions imposed on stock index arbitrage by the New York Stock Exchange's amendments last July to Rule 80A further prompted action by Chicago. Chicago exchange officials say the rule – which limits index arbitrage if the Dow Jones Industrial Average moves 50 points – causes dislocations between the two markets and a loss of pricing efficiency.

The concern of the Chicago markets is partly driven by political self-interest. They do not want to be blamed again, as they were in the October 1987 crash, for increasing equity market volatility in the midst of a crisis. The set of circuit breakers they are proposing would theoretically co-ordinate with a set of narrower circuit breakers at the New York Stock Exchange. The proposed tighter limits grew out of recommendations made last June by the NYSE's blue ribbon Market Volatility and Investor Confidence Panel.

The panel recommended then that mandatory, cross-market circuit breakers be established and that trading be halted for one hour if the Dow moved up or down 100 points from the previous day's close. If the Dow moved 200 points from the previous day's close the halt would be for 90 minutes, 300 points and 400 points, two hours.

The NYSE has not yet acted on the recommendation of lower geared circuit breakers, though a speaker for the NYSE said that it was seeking comment on the proposal from market participants, regulators and members. Currently, a one hour halt is imposed if the Dow moves 250 points.

The Chicago exchanges appear to want to force New York's hand on this issue. But the question remains for the moment of what to do if their new circuit breakers go into effect and New York has not acted. Chicago is hardly likely to stop trading if the cash market in the underlying securities is still at work.

The Chicago Board Options Exchange, the world's largest options market, currently has a set of discretionary circuit breakers in place that mirrors those at the CME. Given that big business at both exchanges is on the S&P stock index futures and options, the CBOE will follow the CME's lead on narrower limits.

Although many at the exchanges feel they have been battle hardened by the 1987 crash, it would be the first time since financial futures were introduced that a war with critical economic consequences was being fought. Moreover, the results of the struggle would be broadcast instantly round the world. This would leave little time to digest news, with unknown consequences for markets which have become very tightly linked internationally, according to Mr Richard Sandor, president and chief executive officer of Indosuez International Capital Markets Corp in New York.

These factors have produced a sense of sailing into unchartered waters. Reflecting this uncertainty, traders have witnessed a surge in hedging, using options, since August as investors seek to protect themselves. "People are paying for price insurance," said Mr Gary Ginter, executive vice president of Chicago Trading and Research Group (CRT), one of the world's leading options firms.

The CFTC's Financial Products Advisory Committee, which gathers executives of top trading companies and important money managers, concluded at a recent meeting that circuit breakers, while not ideal solutions, provided valuable rest breaks to digest news and to rest. Full closures of markets were opposed. Known prices, however bad, were better than unknown ones, they agreed.

# Developing markets 'should give big gains'

By Stephen Fidler, Euromarkets Correspondent

INVESTMENT in many stock markets in the developing world should provide substantial gains despite sharp falls this year, according to a report from American Express Bank.

The report, in the quarterly Amex Bank Review, describes the setback in many of the larger emerging markets this year as necessary corrections to overvalued markets following the bull run since 1985, which may be a financial evolution leading to improved functioning of the markets.

It cites four reasons for investment in such markets:

- Higher rates of share price appreciation, especially where a market is underpinned by strong economic growth.
- It allows for more portfolio diversification, thereby reducing risk.
- Inefficiencies in the markets may mean certain companies are undervalued, providing fund managers with buying opportunities.
- Emerging markets may be a growth area. They account for about 5 per cent of total world capitalisation, despite a 12 per cent share of world output.

But there are drawbacks: the risk of currency losses may be high and the markets suffer from sharp price volatility and a lack of liquidity. Investors have also been deterred by institutional deficiencies, such as the widespread prevalence of insider dealing.

According to Morgan Stanley International, the important emerging markets of Taiwan, Korea, Thailand and Malaysia were down 58.5 per cent, 27.7 per cent, 37.4 per cent and 15.1 per cent respectively in the first 11 months of the year.

Country funds, the main vehicle for investing in these markets for many investors, have also suffered. Many now stand at a discount to their net asset value, compared with the high premiums prevailing at the end of last year.

The markets have performed badly since the start of the Gulf crisis, and many remain vulnerable to US recession.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES



| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Dec 10 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Fri Dec 7 Index No. | Thu Dec 6 Index No. | Wed Dec 5 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (196) | 729.41 | -0.1 | 14.57 | 6.54 | 8.38 | 35.31 | 730.15 | 727.03 | 716.84 | 902.08 |
| 2 | Building Materials (26) | 979.45 | -0.8 | 14.72 | 6.24 | 8.37 | 45.71 | 987.25 | 987.27 | 977.08 | 1082.30 |
| 3 | Contracting, Construction (34) | 1142.55 | -0.2 | 16.40 | 7.04 | 7.92 | 59.58 | 1145.24 | 1153.67 | 1145.13 | 1462.54 |
| 4 | Electricals (10) | 1934.34 | -0.3 | 14.53 | 6.90 | 8.42 | 99.22 | 1940.33 | 1905.78 | 1868.60 | 2598.80 |
| 5 | Electronics (26) | 1538.16 | -0.1 | 10.40 | 5.59 | 12.81 | 61.02 | 1539.89 | 1535.49 | 1533.20 | 1924.69 |
| 6 | Engineering-Aerospace (8) | 407.51 | -0.8 | 16.46 | 5.98 | 7.28 | 17.27 | 410.60 | 401.31 | 391.55 | 0.00 |
| 7 | Engineering-General (48) | 372.59 | -0.2 | 15.57 | 6.88 | 7.76 | 19.28 | 373.22 | 371.43 | 364.90 | 0.00 |
| 8 | Metals and Metal Forming (8) | 413.18 | +0.4 | 21.99 | 8.31 | 5.62 | 25.45 | 411.53 | 411.28 | 406.12 | 460.95 |
| 9 | Motors (13) | 298.45 | -0.8 | 14.73 | 8.06 | 6.96 | 17.45 | 300.88 | 300.32 | 288.73 | 373.69 |
| 10 | Other Industrial Materials (23) | 1278.13 | +0.8 | 13.18 | 6.40 | 8.77 | 62.67 | 1267.76 | 1259.91 | 1239.06 | 1734.49 |
| 21 | CONSUMER GROUP (178) | 1240.24 | +0.1 | 9.94 | 4.18 | 12.50 | 38.20 | 1238.49 | 1236.20 | 1219.56 | 1309.97 |
| 22 | Brewers and Distillers (22) | 1583.38 | -0.4 | 10.28 | 3.90 | 11.98 | 42.93 | 1590.14 | 1572.85 | 1546.26 | 1502.16 |
| 25 | Food Manufacturing (19) | 1031.71 | +0.3 | 11.27 | 4.80 | 10.91 | 34.87 | 1029.09 | 1024.83 | 1012.28 | 1148.17 |
| 26 | Food Retailing (16) | 2289.16 | -0.7 | 9.82 | 3.29 | 13.30 | 64.97 | 2305.62 | 2310.63 | 2276.51 | 2309.33 |
| 27 | Health and Household (18) | 2548.37 | +1.4 | 6.98 | 2.97 | 16.99 | 59.28 | 2514.40 | 2546.92 | 2511.92 | 2705.05 |
| 29 | Leisure (32) | 1235.86 | -0.7 | 12.35 | 5.38 | 9.85 | 48.00 | 1245.15 | 1242.23 | 1232.30 | 1628.37 |
| 31 | Packaging & Paper (12) | 530.31 | ...... | 12.14 | 6.56 | 10.11 | 24.32 | 530.47 | 523.04 | 512.93 | 545.22 |
| 32 | Publishing & Printing (13) | 2984.64 | -0.4 | 12.04 | 6.35 | 10.39 | 140.95 | 2996.40 | 2988.80 | 2970.76 | 3750.95 |
| 34 | Stores (34) | 830.42 | +0.3 | 10.29 | 4.40 | 12.63 | 25.73 | 827.98 | 819.51 | 809.06 | 787.28 |
| 35 | Textiles (12) | 439.01 | -0.1 | 13.27 | 8.09 | 9.67 | 27.62 | 439.47 | 437.17 | 428.06 | 527.58 |
| 40 | OTHER GROUPS (105) | 1023.70 | +0.1 | 12.32 | 5.66 | 9.84 | 35.54 | 1023.05 | 1022.97 | 1007.83 | 1168.58 |
| 41 | Agencies (14) | 918.06 | +1.2 | 11.59 | 3.66 | 10.45 | 25.06 | 906.90 | 909.61 | 875.75 | 1570.77 |
| 42 | Chemicals (24) | 1082.75 | +1.1 | 12.52 | 6.23 | 9.43 | 51.96 | 1071.26 | 1071.08 | 1053.83 | 1212.85 |
| 43 | Conglomerates (13) | 1301.37 | -0.9 | 13.26 | 7.69 | 9.05 | 45.14 | 1312.57 | 1321.95 | 1298.15 | 1643.67 |
| 44 | Transport (15) | 1930.60 | -0.6 | 13.48 | 5.30 | 9.12 | 79.19 | 1941.28 | 1926.88 | 1881.70 | 2264.47 |
| 46 | Telephone Networks (3) | 1172.85 | -0.5 | 11.40 | 4.30 | 11.40 | 27.94 | 1179.27 | 1180.40 | 1168.75 | 1179.15 |
| 47 | Water (10) | 2235.85 | +1.9 | 12.97 | 6.57 | 8.73 | 68.12 | 2194.95 | 2168.71 | 2143.17 | 0.00 |
| 48 | Miscellaneous (26) | 1589.95 | +0.4 | 11.79 | 5.58 | 9.86 | 66.29 | 1584.34 | 1584.28 | 1572.30 | 1922.13 |
| 49 | INDUSTRIAL GROUP (479) | 1049.35 | +0.1 | 11.69 | 5.15 | 10.50 | 37.64 | 1048.65 | 1046.74 | 1032.09 | 1178.02 |
| 51 | Oil & Gas (21) | 2300.66 | -0.4 | 9.72 | 5.53 | 13.43 | 95.42 | 2309.46 | 2300.49 | 2329.83 | 2383.02 |
| 59 | 500 SHARE INDEX (500) | 1152.51 | ...... | 11.39 | 5.21 | 10.85 | 42.32 | 1152.52 | 1150.06 | 1138.60 | 1278.55 |
| 61 | FINANCIAL GROUP (102) | 738.34 | -0.4 | - | 6.98 | - | 35.36 | 741.22 | 734.55 | 721.80 | 827.96 |
| 62 | Banks (9) | 787.45 | -1.1 | 20.46 | 7.35 | 6.40 | 43.40 | 796.55 | 782.09 | 760.55 | 851.33 |
| 65 | Insurance (Life) (7) | 1344.34 | +0.3 | - | 5.71 | - | 55.82 | 1340.54 | 1337.96 | 1316.78 | 1394.77 |
| 66 | Insurance (Composite) (6) | 646.45 | +0.5 | - | 6.61 | - | 32.08 | 643.55 | 641.45 | 634.49 | 705.66 |
| 67 | Insurance (Brokers) (8) | 1002.36 | -0.4 | 7.55 | 6.42 | 17.35 | 48.39 | 1006.74 | 1013.17 | 1006.33 | 1140.40 |
| 68 | Merchant Banks (7) | 358.00 | -0.9 | 5.42 | 5.75 | 24.62 | 15.48 | 361.08 | 360.47 | 359.06 | 475.62 |
| 69 | Property (44) | 991.50 | ...... | 7.15 | 4.97 | 18.96 | 35.10 | 992.04 | 986.87 | 977.78 | 1207.87 |
| 70 | Other Financial (21) | 254.96 | +0.1 | 10.92 | 7.11 | 11.61 | 14.00 | 254.79 | 253.18 | 250.30 | 329.86 |
| 71 | Investment Trusts (70) | 1025.57 | ...... | - | 3.93 | - | 29.58 | 1025.80 | 1022.31 | 1007.95 | 1286.21 |
| 91 | Overseas Traders (5) | 1234.84 | -1.0 | 11.56 | 7.48 | 10.30 | 70.90 | 1247.26 | 1243.83 | 1222.00 | 1537.71 |
| 99 | ALL-SHARE INDEX (677) | 1049.99 | -0.1 | - | 5.37 | - | 40.20 | 1050.67 | 1047.33 | 1035.59 | 1172.04 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Dec 7 | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX♦ | 2182.5 | -0.9 | 2192.9 | 2178.5 | 2183.4 | 2177.5 | 2152.6 | 2146.3 | 2162.7 | 2351.4 |

### FIXED INTEREST

| | PRICE INDICES | Mon Dec 10 | Day's change % | Fri Dec 7 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years | 119.99 | -0.02 | 120.25 | 0.24 | 11.51 |
| 2 | 5-15 years | 129.32 | -0.07 | 129.84 | 0.42 | 12.37 |
| 3 | Over 15 years | 131.39 | -0.10 | 132.48 | 0.96 | 11.90 |
| 4 | Irredeemables | 148.57 | +0.16 | 148.34 | - | 13.70 |
| 5 | All stocks | 128.20 | -0.06 | 128.67 | 0.40 | 12.17 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years | 158.02 | -0.05 | 158.09 | - | 3.04 |
| 7 | Over 5 years | 145.67 | +0.06 | 145.58 | - | 3.45 |
| 8 | All stocks | 146.48 | +0.05 | 146.40 | - | 3.42 |
| 9 | Debentures & Loans | 103.44 | +0.13 | 103.52 | 0.21 | 11.35 |
| 10 | Preference | 74.00 | +0.08 | 74.16 | 0.22 | 6.66 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Dec 10 | Fri Dec 7 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 9.62 | 9.55 | 10.36 |
| 2 | Coupons | 15 years | 10.07 | 10.05 | 9.77 |
| 3 | | 25 years | 10.11 | 10.09 | 9.67 |
| 4 | Medium | 5 years | 10.79 | 10.77 | 11.29 |
| 5 | Coupons | 15 years | 10.46 | 10.45 | 10.14 |
| 6 | | 25 years | 10.31 | 10.30 | 9.76 |
| 7 | High | 5 years | 10.92 | 10.89 | 11.43 |
| 8 | Coupons | 15 years | 10.65 | 10.64 | 10.33 |
| 9 | | 25 years | 10.48 | 10.48 | 9.89 |
| 10 | Irredeemables† | | 10.30 | 10.31 | 9.74 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 3.86 | 3.82 | 3.69 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.13 | 4.13 | 3.65 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 2.63 | 2.59 | 2.86 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.95 | 3.95 | 3.49 |
| 15 | Debs & | 5 years | 12.59 | 12.63 | 12.94 |
| 16 | Loans | 15 years | 12.38 | 12.40 | 12.46 |
| 17 | | 25 years | 12.17 | 12.18 | 12.10 |
| 18 | Preference† | | 12.75 | 12.75 | 10.80 |

♦Opening index 2180.0; 9 am 2192.4; 10 am 2189.6; 11 am 2186.2; Noon 2184.8; 1 pm 2184.6; 2 pm 2184.6; 2.30 pm 2185.0; 3 pm 2181.7; 4.10 pm 2178.5; (a) 9 04am (b) 4.10pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. YEAR END RECLASSIFICATIONS: 48 changes are tabulated on page 18 of the December 10th issue of the Financial Times.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 12 | 52 | 22 |
| Corporations, Dominion and Foreign Bonds | 6 | 0 | 15 |
| Industrials | 368 | 322 | 855 |
| Financial and Properties | 153 | 162 | 432 |
| Oils | 15 | 37 | 40 |
| Plantations | 3 | 0 | 7 |
| Mines | 13 | 66 | 74 |
| Others | 51 | 76 | 75 |
| Totals | 621 | 715 | 1,520 |

### LONDON RECENT ISSUES

#### EQUITIES

[illegible]

#### FIXED INTEREST STOCKS

[illegible]

#### RIGHTS OFFERS

[illegible]

[illegible] ...and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ζ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

### TRADITIONAL OPTIONS

- First Dealings — Nov 26
- Last Dealings — Dec 14
- Last Declarations — Mar 7
- For settlement — Mar 18

For rate indications see end of London Share Service

Calls in: Allied Leisure, Berisford Int., Eurotunnel Units, Monument Oil, Quotient, Unit Group.

### LONDON TRADED OPTIONS

A QUIET begining to the new three-week stock exchange account and the start of trading today in the privatised electricity companies kept dealing in the derivative markets to a minimum.

Equity futures began strongly with December establishing a premium of more than 30 points to the cash index. Arbitrageurs sold futures and bought stock, which pushed the cash market better.

But the premium was quickly eroded as dealers adjusted to the start of the new account. The December FT-SE contract should only be trading at a premium of around 5 points in this account, compared with 14 in the previous account.

Further pressure came from sterling's weakness and an easier tone in gilt and short sterling futures. The approach of trading in electricity shares kept many investors on the sidelines, while nervousness about the Gulf added to the unease.

One source of activity was the rolling over from December into March. Turnover in March was almost 25 per cent of December's trading, compared with around 10 for most of last week.

December closed at 2,187, down 33 points on the day, although 9 points of that reflect the lower fair value calculation. December's premium finished at 9.

The traded options market had one of its quietest session this year, with turnover of just 18,038, against 23,146 in the previous session. The FT-SE options traded 7,799, with dealing concentrated in December contracts, particularly the 2,200 calls. Overall FT-SE activity was weighted towards calls. The Euro FT-SE traded 3,663, with puts accounting for two thirds of turnover.

Among the stock options, Trusthouse Forte traded 1,803; British Gas 730; Thorn EMI 607; and Hanson 601.

[illegible]

# Holiday side helps S&N advance 31% to £115m

By Philip Rawstorne

STRONG GROWTH in its Center Parcs and Pontin's holiday operations contributed towards a 31 per cent increase, from £87.4m to £114.5m, in interim pre-tax profits at Scottish & Newcastle Breweries.

However, the main boost to the result was a substantial reduction in debt charges – from £26.1m to £2.6m – following the £645m sale of Thistle Hotels to Mount Charlotte. The group's net debt now totals £250m.

Earnings per share in the six months to October 28 grew by 23 per cent to 17.9p (14.6p); and the interim dividend is raised 15 per cent from 4.42p to 5.1p.

Operating profit increased by 3 per cent to £115.1m (£111.5m) on turnover of £682.3m (£613.2m), but comparisons were distorted by the hotels sale and the purchase of interests in Center Parcs and Pontin's during 1989.

"The start of the 1990 summer was good for both the brewing and holiday industries, and the momentum was maintained through the full six months despite the difficult economic conditions," said Mr Alick Rankin, chairman.

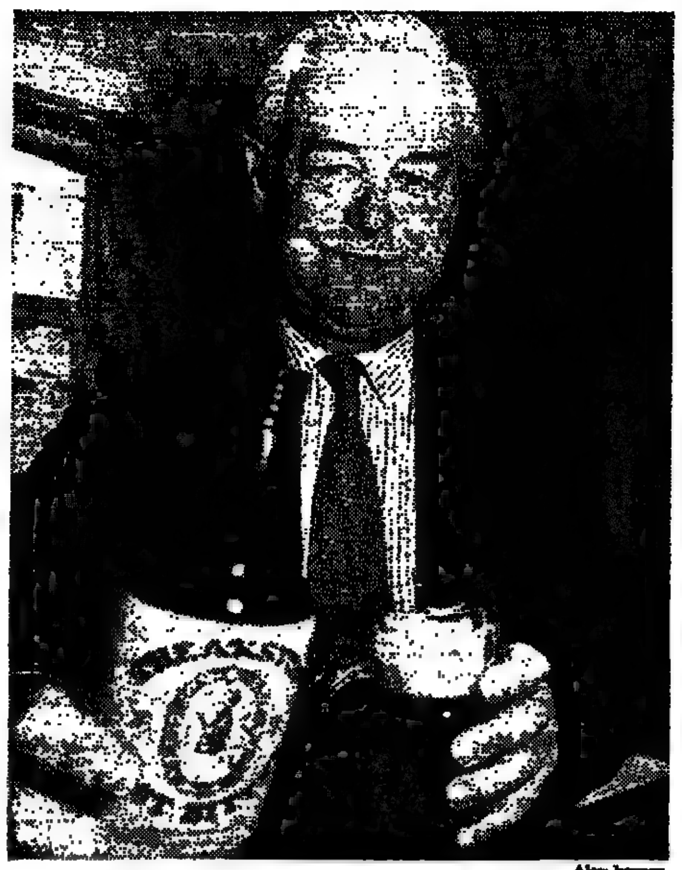
The holiday operations contributed profits of £32.4m on turnover of £145.2m, a growth of about 18 per cent on a like-for-like basis.

Center Parcs – shortly to become a wholly-owned subsidiary – reported 90 per cent occupancy levels at its 13 holiday villages in the Netherlands, France, Belgium and the UK, with bookings for next year already at a high level.

Brewing and pub retailing made profits of £80.5m (£74.3m) on turnover of £537m (£483m).

Beer sales volume rose by 3 per cent, with particular buoyancy in take-home sales which were more than 10 per cent higher. The company's lager brands, McEwan's, Kestrel, and Beck's registered an 8 per cent volume growth.

Profits on property disposals fell from £6m to £2.2m. An increase in the tax rate from 31.4 per cent to 33.7 per cent increased charges from £27.4m to £28.5m.



Alan harper

Alick Rankin: momentum maintained through full six months

● COMMENT

S & N's decision to quit hotels for the holiday business has soon shown through in improved cash flow and looks rather more soundly based than the recent diversifications of some other smaller brewers. Brewing and pub retailing, though distorted by the sale of 300 pubs, is broadly in line with industry performance. Forecasts for the full year range from £217.5m to £219m, with earnings per share of about 33p, and a prospective p/e of 11.2. Yet the share price looks vulnerable. The rating, on an ex-property basis, stands at an 11 per cent premium to the market.

# Sale may put £100m tag on Taunton

By Philip Rawstorne

THREE leading brewers – Bass, Courage and Scottish & Newcastle – are to sell their 91 per cent share in the consortium which owns Taunton Cider, the UK's second-largest cider maker.

The Somerset-based company, which makes Dry Blackthorn, Red Rock and Diamond White ciders, has been informed that the brewers' decision follows a review of their investments.

Taunton, which employs some 470 people, made pre-tax profits last year of £9m, and could fetch some £100m. It vies with Bulmers for leadership in sales through licensed premises and is number three in the take-home trade.

Mr Peter Adams, managing director, said yesterday:"I think this is a case in which the owners want to capitalise on the value of the company.

"In the past five years we have grown at a compound rate of 30 per cent. Since the freeing of the national brewers' tied estate in May, our sales have grown 14 per cent. With the strength of our brands, I am confident that under new ownership we shall be well placed to develop that performance in the future."

Bass and Courage have had an interest in Taunton for more than 30 years. Each owns 41 per cent of the company. Scottish & Newcastle's stake is 9.5 per cent. The rest is owned by a number of other brewers including Greene King, Eldridge Pope, and Wadworth.

Merchant bankers J Henry Schroder Wagg have been appointed to advise the major shareholders on the disposal of their interests.

# BET sells Anglian Windows for £82m

By Andrew Hill

BET, the services group, is to reduce its gearing to less than 100 per cent with the sale of its Anglian Windows double-glazing subsidiary to management for £82m cash.

But BET is to reinvest £30m in the form of a five-year subordinated loan to the buy-out vehicle which is led by Legal & General Ventures and includes Anglian's management under Mr Bill Hancock, the chief executive.

BET announced a month ago that its borrowings had increased by 42 per cent in the first half of the year partly because of delays in selling non-core businesses including Anglian and Boulton & Paul, a joinery company which the group has decided to retain. BET still hopes to sell its 28 per cent stake in Thames Television.

The Anglian sale will reduce gearing from 122 per cent to 97 per cent. BET's shares rose 2p to 162p yesterday, compared with 188p before last month's disappointing interim results announcement.

The five-year subordinated loan notes will carry annual interest of 12 per cent, adjusted if the management team fails to meet certain profit targets. If Anglian is completely unable to meet the interest payments, BET will be able to convert part of the loan into deferred equity into the home improvements group.

The loan will be repaid in January 1996, or earlier if Anglian is bought, floated or goes into liquidation. BET will also receive a 10 per cent share of any future sale or flotation proceeds above the company's target return.

The downturn in the home improvements market meant no strategic buyers emerged for Anglian, which was put up for sale in February. BET originally expected to make more than £200m from the sale of Boulton and Anglian.

However, the group stressed yesterday that the unusual loan-note element was not a "sweetener" to persuade the buy-out team to go ahead with the deal. Advisers said an earn-out agreement – deferred payments linked to profit targets – was a more accurate parallel.

Anglian, which BET bought for £33m in 1984, is expected to make about £10m of profit before interest and tax in the year to March 1991, compared with £15m to £16m in 1989-90.

# Barrier to 3i's public listing removed

By Charles Batchelor

THE FINAL barrier to a public listing of 3i (Investors in Industry), Britain's largest venture capital group, has been removed following a decision by the Inland Revenue not to appeal against a ruling that 3i is effectively an investment trust.

The revenue had informed 3i that it would not appeal against against an earlier ruling of the Special Commissioners for Income Tax.

Investment rather than trading company status would exempt 3i from considerable capital gains tax liabilities.

However, a flotation will probably have to wait until Britain comes out of the current recession, Mr David Marlow, chief executive said. "We think 3i should float when market conditions are suitable," he added. "It is right and proper that 3i should be listed but we want to see it done properly. We have to see the other side of the recession probably."

3i, which invests 80 per cent of its funds in the UK, has been affected by the impact of the recession on companies in its portfolio but has still outperformed key market indices.

Net tangible assets per share fell 7.84 per cent from 507p to 470p in the six months ended September 30 but this compared with a 12.1 per cent fall in the FT Actuaries 500 Index and a 20 per cent fall in investment trusts generally, Mr Marlow said.

The rate of new investment fell sharply and 3i invested just £197.1m in the first half of 1990-91 compared with £369.1m in the same period last year. It also increased the level of provisions from £46.2m to £106.4m, a sum which more than offset a profit of £87m on the sale of investments.

3i recorded a net deficit of £505,000 in the first half compared with a net surplus of £78.1m in the comparable six months. The company nevertheless maintained its interim dividend at 3.3p.

Investment income rose to £130.3m from £122.9m but trading income fell sharply from £25.2m to £7.8m, largely due a decline in the performance of 3i's property division which is being run down. The fall in trading profits was largely responsible for the decline in pre-tax revenues fom £42.2m to £27.6m.

# Airtours at £6m as recovery takes off

By Jane Fuller

AIRTOURS, the holiday company, recovered from an interim loss of nearly £8m to record pre-tax profits of £6.31m for the year to September 30.

The 21 per cent rise, from £5.21m, was made on sales of £183m (£155.64m). Interest received fell from £1.7m to £980,000.

While the seasonally weak first half was bedevilled by late bookings, a bankrupt aircraft supplier and excess capacity, demand came on strongly from July to September.

Airtours is number four in the package holiday market behind Thomsons, ILG (Intasun) and Owners Abroad, which acquired Redwing early this year.

Mr David Crossland, chairman, said the market had changed. "We have gone through five years of too many aircraft seats, too many operators and too many holidays." With a cut in the supply of charter aircraft and a few operators going out of business, supply and demand had come back into balance.

The prospective shortage of charter aircraft has prompted Airtours to set up its own airline. Mr Harry Coe, finance director, said the five craft should recover the £5m in £7m start-up costs within two months of flights beginning next spring.

In 1989-90 the Lancashire-based company carried 720,000 holidaymakers, compared with 664,000 the previous year. Popular destinations included the Canary Islands, Greece, Kenya and Florida.

Of two start-up businesses, Eurosites (camping holidays mostly in France) had performed as planned, gaining 20 per cent of the market although making a loss.

The UK Cottage Directory had disappointed and been sold. The undisclosed proceeds did not cover its losses.

At the year-end, Airtours held £26m cash compared with £30m in September 1989.

On a lower rate of tax, earnings per share rose to 27.2p (20.82p), or to 25.7p fully diluted.

A recommended final dividend of 6.75p makes a total of 8.25p (7p).

● COMMENT

After a shaky first half, the full-year figures were encouraging on two scores: first, the shake-out in the industry has brought supply back into line with demand and, second, Airtours again proved its relative strength. As well as benefiting from the general surge in late bookings, it has hedged against the main impact of fuel price rises, improved trading margins and increased its cash pile. For the coming year, it is rather early to draw conclusions from the bullish statements about increased bookings and market share, but at least last autumn's problems have not been repeated. There are risks. One is the perennial one associated with what one analyst called a "lumpy leisure item" as tour operators wait for the new year to see how summer holiday bookings pan out; another is Airtours' bold but probably wise jump into the airline business. A forecast pre-tax profit approaching £8.5m this year gives a prospective p/e of 4.4 on yesterday's close of 149p, up 6p. The shares have already recovered from a low of 109p in September, but still have room for progress.

# Robertson to move into the Soviet Union

Robertson Group, a provider of services to the natural resources industry, is moving into the Soviet Union.

It has reached agreement in principle with a US oil service company for a participation in a joint venture with the Soviet Ministry of Geology.

In addition, with Nopec, it has acquired from the Ministry of Oil and Gas access to a seismic database covering the Arctic and Pacific Soviet Union.

News of the moves accompanied results for the six months to end-September, in which the petroleum division continued to the largest contributor to profits.

On turnover marginally higher at £22.86m (£21.58m) pre-tax profits were lower at £2.61m (£2.74m).

Earnings were slightly down at 3.3p (3.5p), but the dividend is increased from 0.87p to 0.95p.

The comparative results had been restated as a consequence of the decision to withdraw from direct investment in mining ventures and to dispose of the remaining three investments, which had a book value of approximately £4m.

Mr Roy Bichan, chairman, said petroleum division profits were substantially up on last year reflecting a recovery in North Sea multi-client report sales and a first-time contribution from Tigress, a geoscience and reservoir engineering software system.

The publishing arm of Robertson McCarta had been discontinued as it had not met expectations.

# Cray returns to the black with £788,000

By Jane Fuller

CRAY Electronics, the electronic equipment maker which attained note last year for a drastic revision of its 1988-89 figures, showed a recovery in the first half of this year.

It returned a pre-tax profit of £788,000 for the six months to October 31, compared with a loss of £3.18m in the aftermath of the profit restatement, which led to management changes and a dispute with Ernst & Young, the its former auditors, which has since been settled out of court.

On turnover of £53.41m (£52.49m), operating profit improved to £3.99m (£1.22m), but interest charges rose to £3.2m (£2.57m).

Sir Peter Michael, former chairman of UEI came in as chairman a year ago with two other ex-UEI executives.

He said the reorganisation of the business had involved several sales or closures.

The most important remaining disposal would be the defence activities, for which negotiations were at an advanced stage. Debt had come down from nearly £40m. By April, assuming the defence disposal, the aim was to reduce it to £20m – still a gearing of 100 per cent.

The core of the business fell into three categories: telecoms, especially computer links and data transmission; computer systems and software; and instrumentation. Together they accounted for about 80 per cent of the group's annual turnover of about £100m.

Earnings per share were 0.54p, compared with a loss of 2.28p. As with last year, no interim dividend is declared.

The share price gained 9p to close at 49p yesterday. Four executive directors purchased shares at 45p to 48p.

# Institutions prevent coup against Savage directors

By Andrew Hill

INSTITUTIONAL shareholders have withdrawn their support for an attempted management coup at Savage Group and decided to back existing directors of the USM-quoted hardware group.

At a special meeting on December 20, Norwich Union, which owns 9.6 per cent of Savage's shares, and other institutions representing a further 24.2 per cent, will now vote against resolutions to oust Savage's finance director and install six new directors.

Abbey Life, which owns 3 per cent of shares and also backed the original requisition of the meeting, is to abstain.

Mr Brian Cox, former chairman of Camford Engineering, announced plans to eject three Savage directors and elect new board members at the beginning of last month.

Since then, Mr Nick Savage, the group's chairman, and Mr David Brown, chief executive, have quit and a new chief executive has been appointed from within the group.

Mr Douglas Rogers, chairman of the building materials group Newman Tonks, was installed as chairman last Thursday, apparently with institutional support.

Shares in Savage, which has suffered from difficult trading conditions in the DIY market, closed yesterday at 43p, against a market price of 30p when Mr Cox launched his attempt.

"I am pleased that we have been instrumental in increasing the market capitalisation and facilitating some changes," Mr Cox said yesterday.

Mr Paul Gaunt of Equitable Life, which has a 5.5 per cent stake in Savage, denied that institutions had lost their nerve. "It is a common-sense decision we have now taken. We realised we needed to do something very quickly as an expression of confidence in Mr Rogers, who seems to us to be very capable. There was no point in getting someone like that in and then tying his hands."

Mr Rogers is to discuss implementing some aspects of the proposals put forward by Mr Cox with Mr Don Wightman, an ex-director of Savage. Mr Wightman would have become chief executive of the hardware group in Mr Cox's plan, although it is not yet clear whether he will have a role under Mr Rogers' chairmanship.

# Reversal to £74,000 loss at AB Engineering

A sharp reduction in activity at the catering equipment distribution division during the summer left Associated British Engineering with losses of £74,000 in the six months to September 30, against profits of £431,000.

Action has been taken to address the depressed market in catering equipment and the division is now trading profitably. The company expects to return to profit in the second half.The Middle East subsidiary was coping well.

Turnover was £17.79m (£17.81m) and the pre-tax figure was struck after interest charges of £256,000 (£99,000).

Losses per share were 0.05p (0.21p earnings) basic or 0.04p (0.13p earnings) fully diluted.

The company said that provided expectations were fulfilled the final dividend of 0.1p would be maintained.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- BBB, Bio-Isolates, Charter Consolidated, Clayhithe, Dowty, Ferranti Intl, Northumber, Racal Electronics, Racal Telecom, Stewart & Wight, Sutherland, Wardell Roberts.

Finals- Blick, Carr's Milling Industries, Hardanger, Richards.

FUTURE DATES

Interims-

| | |
|---|---|
| Berkeley | Dec. 13 |
| Flexech | Dec. 18 |
| TR Technology | Dec. 13 |
| Unit | Dec. 12 |
| West Trust | Dec. 18 |

Finals-

| | |
|---|---|
| Daily Mail & General Tst | Jan. 10 |
| Elec Data Processing | Dec. 17 |

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Airsprung | int | 2.63 | Jan 31 | 2.32 | - | 6.5 |
| Airtours | fin | 6.75 | Feb 20 | 5.5 | 8.25 | 7 |
| Berisfords | fin | nil | - | 4.4 | nil | 6.2 |
| British Land | int | 1.88 | Feb 28 | - | - | 5.25 |
| Creighton's § | int | 1.8 | Feb 19 | 1.6 | - | 5.6 |
| Cronite | fin | 2.5 | Apr 1 | 2.5 | 4 | 4 |
| Halma | int | 0.82 | Feb 11 | 0.707 | - | 1.843 |
| Marling Inds | int | 1.3 | Jan 14 | 1.3 | - | 4.2 |
| Oriflame | int | 4 | Feb 21 | 4 | - | 12 |
| Robertson Group | int | 0.95 | Jan 25 | 0.867 | - | 3 |
| Scot & Newcastle | int | 5.1 | Feb 15 | 4.42 | - | 13 |
| Seton Healthcare | int | 0.4 | Jan 31 | - | - | - |
| 3i | int | 3.3 | - | 3.3 | - | 9.7 |
| TMD Advert § | fin | 4.5 | Mar 6 | 3.75 | 6.3 | 5.25 |
| Whitecroft | int | 4.6† | Jan 25 | 4.6 | - | 15 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.



# British Land tumbles to £10m as interest charges increase

By Vanessa Houlder, Property Correspondent

BRITISH LAND, one of the UK's big five property development and investment companies, yesterday announced a fall from £24.1m to £10.1m in pre-tax profits for the six months to September 30.

The fall was a result of an increase in interest charges from £12.4m to £27.5m, which stemmed from the company's £300m acquisition programme, largely directed at food retailing property. The share price closed at 288p, down 2p on the day.

British Land, which abandoned controversial restructuring plans in September, said it had taken advantage of opportunities to buy good properties offering historically high prospective returns. "The strength of the company has been directed beyond short term considerations to ensure its long term progress," said Mr John Ritblat, chairman. The group continued to look for attractive opportunities of any size, he added.

During the period under review, it sold a shopping centre in Palm Springs, California and a City development for more than their book value. It also received outline planning consent for an additional 290,000 sq ft office building at Euston.

The realised capital surplus increased from £2.1m to £12.2m. There were no dealing profits. Capitalised interest totalled £1.1m.

Gross rents increased by 23 per cent to £45.2m (£36.6m); net rents rose by 20 per cent to £36.2m (£30.1m).

Net debt at September 30 was £652m, giving gearing of 59 per cent. The company concluded a new £175m unsecured five year loan facility in October.

Earnings per share fell from 7.6p to 3.1p. An interim dividend of 1.88p is was declared. No interim dividend was paid last year but the final dividend was adjusted so that an increased total of 5.25p was paid for the whole period.

## UK COMPANY NEWS

# Whitecroft nearly halved to £3.58m

By Andrew Hill

THE SLUMP in the commercial property market has hit Whitecroft, almost halving its interim profits from £7.34m to £3.58m before tax in the six months to September 30.

The lighting division was the only operation to increase operating profits. Earnings per share dropped to 6.77p (14.6p), but the group maintained its interim dividend at 4.6p. Both the textiles and the building products divisions suffered in the worsening economic climate.

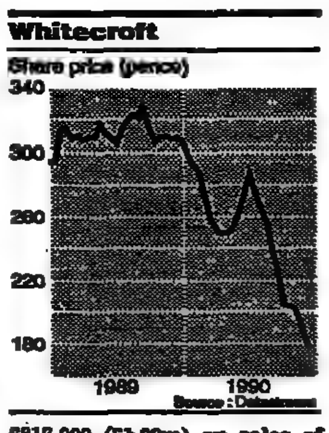
Mr Peter Goold, who took over as executive chairman in October, said yesterday he thought the decision to pay the same dividend was a prudent one. "We will be looking at prospects as much as results when we come to recommend a final dividend next year," he added.

Whitecroft sold none of its office or retail developments in the first half and property profits slumped from £2.77m to £614,000 on turnover of just £2.64m (£11.7m). The group said the housebuilding side – principally "executive homes" in Yorkshire and north-west England – had also weakened but was not having a material adverse effect on the group profits.

The company has also seen borrowings increase in the first half to roughly 75 per cent of shareholders' funds, and the interest charge was more than ten times higher at £1.33m (£112,000).

The increase in borrowings was partly due to rolled up interest from commercial development projects. Whitecroft also made a "long-term strategic decision" to spend more than £7m cash on buying Industria Beheer, a Netherlands lighting group, in August.

The building products division, particularly the windows and conservatories subsidiary, was hit by the economic downturn, and profits fell from £1.48m to £848,000 on turnover of £21.1m (£18.5m), while the textiles operation made £817,000 (£1.03m) on sales of £20.2m (£17m).




Lighting increased profits to £3.17m (£2.6m) on turnover of £23.2m (£22.1m), including £222,000 of profit from companies acquired during the six-month period. Overall turnover fell slightly at £67.1m (£69.3m).

● COMMENT

These results are quite a stiff test of Whitecroft shareholders' loyalty. The group has been warning them about the deteriorating economic climate since 1988 and the stagnation of the commercial property division was entirely predictable, but the extent of the decline in other divisions surprised some analysts. Questions may also be asked of Whitecroft's traditionally cautious management if the group's full-year dividend is covered less than twice by profits; dividend cover at half-way was 1.4, against 2.1 in the last full year. The shares have already fallen more than 100p since those results in June, and slipped a further 5p to 176p yesterday. If the group manages to sell some of its commercial property in the last three months of the financial year it could make £13.5m before tax; if not, £9m would be a more realistic target. Either way, whether the prospective multiple is 7 or 10, the share-price is high enough for the time being.

# Overseas side lifts Halma to over £6m

By Richard Gourlay

FOLLOWING A sharp increase in overseas sales, Halma, the environmental control and safety group, announced a 10 per cent advance to £6.2m in pre-tax profits for the six months to end-September.

Although turnover in the UK was flat, overseas sales rose by 25 per cent and accounted for 41 per cent of the group total, which rose 10 per cent to £38.88m.

Halma has 29 operating subsidiaries in areas that include the manufacture of safety equipment for industrial plant and environment control equipment, security and office technology. It is widely viewed as a "green" stock and has tended to trade at a hefty earnings multiple.

Halma closed two companies, A&G Security Electronics, which made control panels, and Post Glover Medical, which produced hospital monitoring equipment.

Profitable parts of these businesses have been transferred to other parts of the group. The cost of closing and selling the remainder is £900,000 which will be taken as an extraordinary item.

In spite of two cash acquisitions amounting to £2.8m in the first quarter, Halma had no net debt and cash flow remained positive, Mr David Barber, chairman said.

Earnings per share rose 7.4 per cent and the interim dividend is raised by 30 per cent increase to 0.92p.

While difficult economic conditions were likely to remain in the UK, Mr Barber said the group's wide spread of interests and its strength in specialist markets meant it would continue to progress.

Michael Perry: career weighted towards international positions

# Michael Perry in line for Unilever chairmanship

By Clay Harris, Consumer Industries Editor

MR MICHAEL Perry emerged yesterday as the likely successor to Sir Michael Angus as chairman of Unilever, the UK-based arm of the Anglo-Dutch food and consumer products group.

Mr Perry, aged 56 and a 33-year veteran of Unilever, has been personal products co-ordinator since 1987. One of his main achievements was the integration of the Elizabeth Arden Fabergé and Calvin Klein cosmetics and fragrances businesses.

He is to be appointed in May to the special committee, the global group's three-member chief executive. Mr Perry also becomes a vice-chairman. His succession to Sir Michael, who retires in 1992, is expected to be announced next December.

The special committee comprises the group's joint chairmen, Sir Michael and Mr Floris Maljers, his Dutch counterpart at Unilever NV, and one other member, often the heir apparent to one of the other two.

Even in Unilever's cosmopolitan climate, Mr Perry's career since he joined from Oxford in 1957, has been heavily weighted towards international positions.

He headed subsidiaries in Thailand, Argentina and Japan before joining UAC International, which oversees many of the group's African operations from London.

Mr Perry replaces Mr Ronald Archer, a member of the special committee since 1989 who retires in May. Mr Antony Burgmans, head of PT Unilever Indonesia, will be nominated as a director in May.

Sir Michael, aged 60, has been chairman since 1986 and a member of the special committee since 1984.

# Airsprung bucks trend with 49% advance

By Clay Harris, Consumer Industries Editor

AIRSPRUNG Furniture Group, owner of Britain's second largest bed manufacturer, defied the travails of the furniture sector to record a 49 per cent increase to £1.35m in pre-tax profits for the six months to September 30.

The advance from £903,000 was achieved on turnover ahead 34 per cent to £25.6m (£19.1m). With earnings per share up by 69 per cent to 7.89p (4.67p), the interim dividend is raised by 13 per cent to 2.63p (2.32p).

Airsprung, which also makes upholstered furniture and pine cabinets, benefited because it had done no business with Lowndes Queensway, the retailer which collapsed in August.

"I closed Queensway's account six years ago," Mr Michael Coppel, chief executive, said yesterday. In addition to escaping direct exposure, Airsprung was also helped when consumers abandoned Queensway for its own retail customers.

In October, Airsprung issued £2m of unsecured loan stock to 3i, which also owns 10 per cent of its ordinary shares. Mr Coppel said this replaced short-term borrowings with committed funds on which repayments will not begin until 1994.

The loan stock will also provide the capital for Airsprung's medium-term expansion plans, Mr Coppel said. An equity issue had been ruled out, in part because members of the controlling Yates family had been unwilling to see their 52.5 per cent shareholding in the USM-quoted company diluted.

# Albert Fisher buys Campbell offshoots

By Andrew Bolger

ALBERT FISHER, the acquisitive fresh food distributor and processor, has paid £15.12m cash for three subsidiary businesses of Campbell Soup, the US foods group which is in the process of restructuring.

The British group has bought Campbell's Frozen Vegetables, which is based at Hemel Hempstead.

It will be combined with the existing operations of Frank Idiens & Sons to trade as Fisher Frozen Foods.

The enlarged business becomes the biggest in the UK's frozen green vegetable market, supplying own-label products to the supermarket chains.

Fisher has also bought Morubel and Campbell's Seafood, which together form one of the leading processors and distributors of frozen, warm water prawns and other speciality fish products to the retail and food service markets in the UK, Belgium, Germany, France and Italy.

Morubel is located in Ostend, Belgium, and is responsible for the processing of seafood products and for continental European marketing and sales activities.

Campbell's Seafood is located in Hampton Wick, near London, and handles European procurement and UK marketing and sales.

Combined net tangible assets of the three businesses amount to £15.02m, after deducting borrowings of £9.46m.

Combined pre-tax profits for the year to July 29 were £3.1m on turnover of £116m.

Mr Tony Millar, executive chairman, said the acquisitions were a further important step in developing Fisher's European food processing and distribution operations.

The businesses would significantly strengthen the group's operations in the frozen vegetable and speciality seafood sectors and bring experienced management and strong supplier and customer relationships.

After this deal Fisher is sitting on net cash of £64m.

It has been identified as a possible buyer of parts of Dole Food in the US, the world's largest trader and marketer of fresh fruit and vegetables, or Del Monte Tropical, the Florida-based fruit business which is part of Polly Peck International.

## NEWS DIGEST

# Acquisitions depress Cronite

AS FORECAST in October Cronite Group reported lower pre-tax profits for the year to end-September. On turnover lower at £46.71m against £56.01m, profits fell from £2.31m to £1.22m.

The company blamed lower sales by Cronite Alloys and losses at Ablex and RBC Powder which had been acquired for a nominal sum a year ago. Metal stockholding trading profits fell to £627,000 (£1.86m) but manufacturing was higher at £1.7m (£1.37m).

Earnings per share came out at 7p (11.2p). The directors are proposing an unchanged final dividend of 2.5p for a maintained total of 4p.

### Creighton's

Record levels of output helped Creighton's Naturally, the USM-quoted maker of cosmetics and toiletries, increase taxable profits from £117,000 to £502,000 in the six months to September 30.

Turnover rose nearly 45 per cent to £5.57m (£3.85m) and, after tax of £176,000 (£41,000), earnings per share soared from 1.7p to 7.1p. The interim dividend is raised to 1.8p (1.6p).

### DBS Management

The DBS Management Group, a network of financial intermediaries whose shares are traded on a matched bargain basis, doubled turnover and pre-tax profit in the half-year to September 30.

Turnover advanced to £1.05m (£520,000) and profit to £429,000 (£210,000). Earnings per share were 10.4p (5.8p).

### RHM

Mr Stanley Metcalfe, chairman of Ranks Hovis McDougall, was paid £306,000 in the year to September 1, according to the food group's 1989-90 accounts.

Mr Metcalfe, who was appointed chairman on September 10 1989, made £289,000 as managing director and deputy chairman in the previous financial year. Sir Peter Reynolds, the former chairman, saw his salary fall from £142,000 to £96,000 in his new role of deputy chairman.

RHM reduced its contribution to the Conservative Party from £30,000 to £20,000.

### Umeco

Fluid Transfer, the aircraft refuelling subsidiary of Umeco, has produced "outstandingly good results" to help the group achieve a 9 per cent increase in pre-tax profits in the six months to September 30.

The taxable result of this USM-quoted group, which also distributes seals and sealants and other components for the aerospace industry, rose from £378,000 to £411,000 "in difficult trading conditions".

Turnover was up at £7.27m (£5.17m). Trading profit was £407,000 (£328,000) but earnings per share static at 4.9p, as a result of a higher tax charge.

The interim dividend is raised to 1.655p (1.575p).

### Crown Eyeglass

In spite of a first half setback, Crown Eyeglass, the USM-quoted distributor of ready-made spectacles, is forecasting record results for the year ending March 31 1991.

Following the initial surge subsequent to legislation in April 1989, sales settled down and caused turnover to fall from £2.18m to £1.69m in the six months ended September 30. Pre-tax profit dropped from £174,000 to £79,000.

However, excluding income from new distributorships, the operating profit, before interest, on core business rose by 25 per cent.

### Fobel Intl

Fobel International continued to progress towards a return to profitability and has good order books, directors reported in their interim statement.

In the first half of 1990 the group, a manufacturer of electrical and DIY goods, plastic moulding and dairy machinery, cut its loss from £592,000 to £578,000, on turnover down to £9m (£10.1m). Loss per share was 3.25p (4.04p).

A dividend will be considered when the full results are known. In 1989 the company paid 0.1p from pre-tax profit of £120,000.

### Regina Health

Regina Health & Beauty Products reported a pre-tax loss of £4.7m for the year to June 30 against profits of £754,000. But the directors believe the USM-quoted supplier of Royal Jelly should return to profits by the end of the present year.

The introduction of new management and a refinancing after the year-end had led to overheads being cut by 30 per cent, the company said.

Mr David Tett, the new chairman, described the past year as traumatic.

The pre-tax figure was struck after exceptional restructuring costs of £3.77m and increased interest of £285,000 (£1,000). There was a trading loss of £841,000 (profit £755,000) on turnover of £5.7m (£5.85m).

Losses per share came out at 19.7p (earnings 2.81p).

### Chartwell

Chartwell Group, a maker of carpet tiles and laminated products, lifted pre-tax profit from £519,000 to £564,000 in the half-year to September 30.

The company is seeking to move from the Third Market to the USM via an introduction and expects dealings to start on December 13.

Turnover more than doubled from £4.03m to £8.24m and operating profits from £494,000 to £679,000. Earnings per share were 5.8p (8.8p) after tax of £197,000 (£181,000).

### Wellman

The acquisition of Cadogan Numerical Control enabled Wellman to raise pre-tax profits by 32 per cent, from £880,000 to £1.17m, in the six months to September 30.

Trading profit of the traditional business – industrial furnaces and ovens – was static at £700,000, but stemmed from turnover 4 per cent lower. Cadogan, a precision aerospace engineer purchased a year ago, made £400,000. Overall turnover rose to £15.13m (£14.21m).

Earnings were 2.2p (1.8p) and the interim dividend is raised to 0.8p (0.75p).











3i
INVESTORS IN INDUSTRY

This advertisement is issued by 3i Group plc which has been authorised by the Investment Management Regulatory Organisation under the Banking Act 1987 and is regulated in the conduct of investment business by IMRO. It does not constitute statutory accounts.

# 3i GROUP PLC

*Six months to 30 September 1990*

## Half Year Statement by the Chairman, Sir John Cuckney

"In my statement last July, I referred to the fact that 3i had obtained a decision in principle from the Special Commissioners for Income Tax that 3i plc, the main operating company of the Group, carries on an investment business. The Inland Revenue has informed us that it does not intend to appeal the decision. We welcome this development which enables us to plan ahead within a known fiscal framework. In order to reflect this change, we are giving prominence to our investment company revenue and reserve statement."

"The investment company accounts show a decline in net tangible asset value per share of 7.84% between 31 March 1990 and 30 September 1990 which compares favourably with a decline in the FTA 500 Index over the period of 12.1%. The FTA World Index declined by 24% over the same period. Investment income was satisfactory and was not materially affected by the recession in the UK."

"We have taken a cautious view of some of our portfolio companies and have raised our level of provisions against investments significantly. This is reflected in provisions of £106.4m (£116.4m in the whole of the year ending 31 March 1990) more than offsetting the realisation profits of £87m. We regard the maintenance of the quality of the portfolio as a prime objective and management is taking appropriate steps to recover doubtful investments wherever possible."

"3i enters a difficult phase of the economic cycle with substantial resources. Despite the decline in net tangible asset value, not only are current levels of gross investment being met from internal cash flow, but we also have a strong capital base and put in place a further borrowing facility in the summer. We have assured long-term facilities of £900 million available for new investment and to meet existing commitments. This will enable us to remain actively in the marketplace at a time when many institutions in the financial services sector worldwide are endeavouring to reduce their commitments."

## Unaudited Investment Company Basis Revenue and Reserve Statement

The annual report includes supplementary accounts prepared on an investment company basis incorporating, inter alia, investments at valuation. These are included in order to present a comprehensive view of the Group's investment activities. The results for the period and shareholders' funds, prepared on this basis, were as follows:

| | | 6 months to 30 September 1990 £000 | 6 months to 30 September 1989 £000 | Year to 31 March 1990 £000 |
|---|---|---|---|---|
| Revenue: | Income from investment assets | 130,348 | 122,899 | 245,554 |
| | Trading income | 7,832 | 25,176 | 38,102 |
| | Net interest payable | (72,539) | (71,188) | (144,434) |
| | Operating costs and administration expenses | (37,000) | (34,653) | (80,562) |
| | Revenue before tax | 27,641 | 42,234 | 58,670 |
| | Estimated tax (note i) | (5,971) | (11,883) | (16,015) |
| | Revenue after tax | 21,670 | 30,351 | 42,655 |
| | Extraordinary items (note i) | | | (12,784) |
| | Dividends | (7,747) | (7,659) | (22,554) |
| | Retained surplus | 13,923 | 22,692 | 7,317 |
| | Other revenue reserve movements | (2,297) | 1,361 | 1,537 |
| | | 11,626 | 24,053 | 8,854 |
| Capital reserve: | Realised capital profits less specific provisions* | 11,805 | 65,897 | 112,597 |
| Revaluation reserve: | Release of unrealised appreciation on investments sold* | (31,963) | (66,358) | (94,670) |
| | Change in value of investments* | (88,226) | 61,622 | (8,551) |
| Total movement in reserves | | (96,758) | 85,214 | 18,230 |
| Shareholders' funds | | 1,103,227 | 1,253,943 | 1,167,037 |

*After tax

## Unaudited Historic Cost Consolidated Revenue Statement

This statement is prepared under the historic cost convention using the accounting policies in the statutory accounts

| | | 6 months to 30 September 1990 £000 | 6 months to 30 September 1989 £000 | Year to 31 March 1990 £000 |
|---|---|---|---|---|
| Group income | | 172,498 | 158,316 | 318,768 |
| Profits less losses on realisation | | 87,416 | 145,528 | 218,918 |
| Provisions | | (106,369) | (46,234) | (116,410) |
| Income from operations | | 153,545 | 257,610 | 421,276 |
| Operating costs | | 37,166 | 34,800 | 80,881 |
| Profit before interest on borrowings | | 116,379 | 222,810 | 340,395 |
| Interest on borrowings | | 98,275 | 89,389 | 183,487 |
| Profit before tax | | 18,104 | 133,421 | 156,908 |
| Estimated tax (note i) | | 10,862 | 47,608 | 64,106 |
| Profit after tax and before extraordinary items | | 7,242 | 85,813 | 92,802 |
| Extraordinary items (note i) | | | | (5,854) |
| Surplus for period | | 7,242 | 85,813 | 86,948 |
| Dividends: | Interim 3.2 pence per share: 1989 3.3 pence | 7,747 | 7,659 | 7,659 |
| | Final 6.4 pence per share | | | 14,895 |
| | | | | 22,554 |
| Net surplus for period | | (505) | 78,154 | 64,394 |

Notes: (i) The estimated tax charges have been calculated in accordance with the Special Commissioners' decision in principle, issued on 25 October 1989, that the major subsidiary of the Group carries on an investment business. The effects of this decision on periods prior to 1 April 1989 are included within extraordinary items in the accounts to 31 March 1990.

(ii) The figures for the year ended 31 March 1990 are taken from accounts filed with the Registrar of Companies on which the auditors issued an unqualified report.

## UK COMPANY NEWS

# Morgan Grenfell dropped as adviser to Oriflame

By David Owen

ORIFLAME International has terminated its relationship with Morgan Grenfell, its financial adviser, and set aside a special £1.5m provision for potential commercial paper-related losses.

The losses have arisen on one unidentified £3m commercial paper investment made through the Deutsche Bank-owned merchant bank in February.

"This investment turned out not to meet our criteria for low risk and since future recovery is now uncertain we feel it prudent to create a reserve of 50 per cent of the amount invested," the Swedish-based cosmetic products supplier said.

According to Mr Robert af Jochnick, Oriflame chairman, the investment in question was in one company which is neither in administration nor receivership.

"It has not proved possible to get out of the commercial paper," Mr af Jochnick said. He added that it was "a sensitive issue" and that Oriflame was "not the only company" to be in this sort of position.

"We have made an assessment of what exposure we have and we feel we have provided for the most likely outcome," he added.

Since selling Goldsmiths, the retail jewellery chain, for some £30m in 1988, Oriflame has had "substantial" cash reserves which have been invested in bank deposits and sterling commercial paper, mainly by Morgan Grenfell.

"Given their expertise in these matters, we did not conduct any independent investigation of our own in regard to individual commercial paper offered by them," Oriflame stated.

Mr John Rawlings, head of Morgan Grenfell's banking division, said that "our perception of events is somewhat different from Oriflame's." However, "we do not feel it is right to comment on the affairs of a past client."

The provision was revealed as Oriflame reported a 50 per cent decline to £2.23m (£4.40m) in pre-tax profits for the six months to September 30.

Sales were virtually flat at £24m (£24.52m). Earnings slumped to 3.6p (7.8p).

The group said its first-half operating profit was "not representative of the result for the year."

The £1.5m provision was taken above the line. An unchanged interim dividend of 4p is declared.

The shares were unchanged at 107p.

## Shandwick reorganises after PR slowdown

By Alice Rawsthorn

SHANDWICK, the world's largest public relations group, is reorganising its UK interests in response to the slowdown in the public relations market.

News of the reorganisation – which involves 20 redundancies – follows Shandwick's annual meeting last week at which Mr Peter Gummer, chairman, warned that the group would "not shrink from taking difficult decisions in order to maintain margins".

The reorganisation involves merging two of the group's UK consumer public relations consultancies: Shandwick PR and Shandwick Consultants.

The combined company will be run by Ms Paula McNulty, presently managing director of Shandwick Communications.

Shandwick has also announced 20 redundancies from its UK consultancies, which employ 480 people from a 2,300-strong worldwide workforce. The redundancies come from its consumer and financial public relations activities.

Shandwick's shares – which have fallen since the AGM when Mr Gummer announced he was selling 2m of his own shares to a new Employee Stock Ownership Plan – fell again by 4½p to 78p yesterday.

Until recently public relations was unaffected by the recession that has hit other areas of marketing services, notably advertising and design, in the UK.

However, companies have recently started to cut budgets and cancel projects in consumer public relations.

Mr Anthony Stoddard, deputy chairman of Shandwick, said the change in the market represented a slowdown in the rate of growth rather than an actual downturn.

Shandwick now expects the UK market, which provides 20 per cent of its revenue, to grow by 20 rather than 25 per cent next year.

Mr Stoddard said the group was still performing strongly in other countries. However, he said there were signs of softness in some sectors of the US market – where Shandwick makes 50 per cent of its revenue – notably in the car industry.

## Heavy deficit at Bennett & Fountain

By Andrew Bolger

BENNETT & FOUNTAIN, the electrical wholesaler and retailer which is now controlled by Voltex Holdings of South Africa, yesterday reported heavy losses and passed its dividend for the year to June 30.

Shares in B&F fell 2½p to 14½p after the group said it had made a pre-tax loss of £24.4m, compared with a deficit of £7.5m.

Voltex injected £20m into B&F in July, in exchange for 52 per cent of the company's enlarged share capital. B&F said its balance sheet was now secure, with total tangible assets of £16m.

Turnover fell from £108.7m to £88.14m and loss per share was 23.2p, as against 17.7p.

There was an extraordinary item of £14.58m to cover operating losses, redundancy and closure costs. B&F said its auditors had reviewed these extraordinary provisions, but would say in their report that the determination of them involved subjective judgments, and thus could not be substantiated by auditing procedures.

Why are so many people unwilling to take part in voluntary work? Page 3

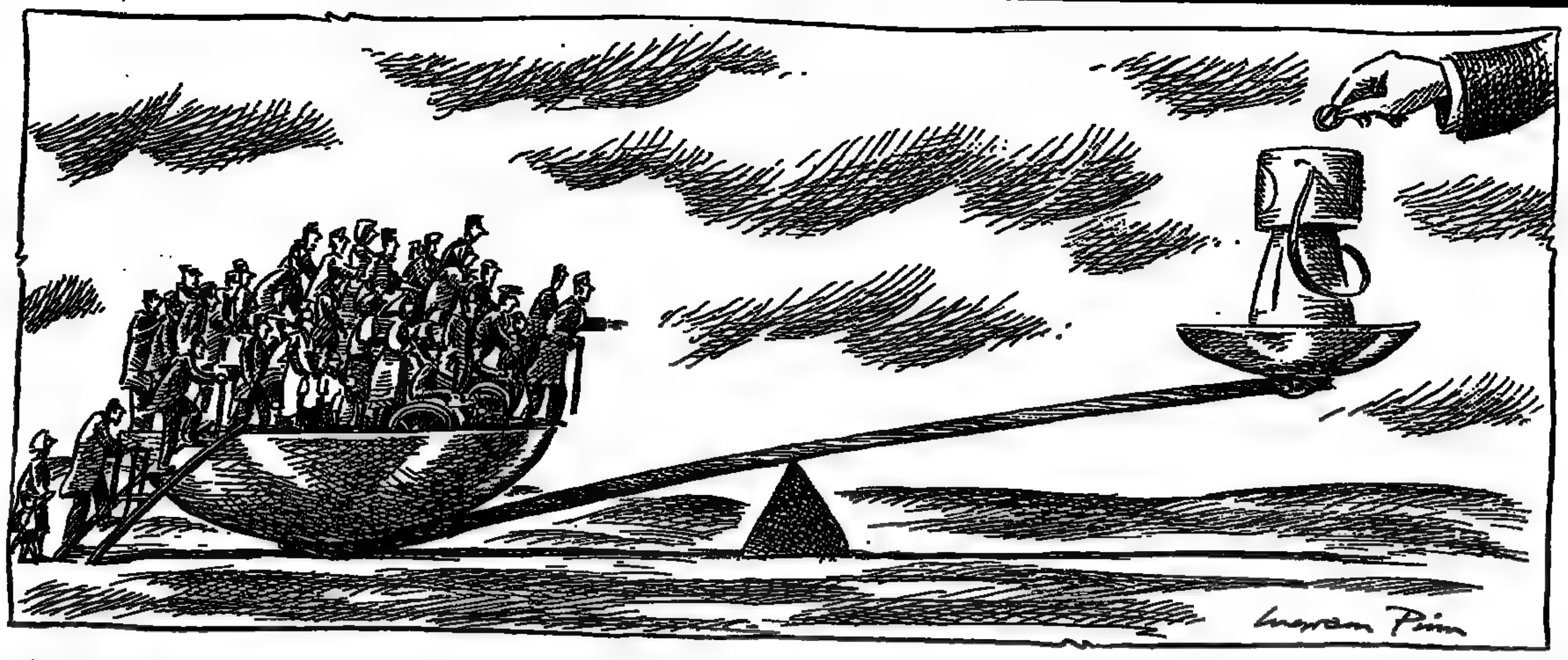
FINANCIAL TIMES SURVEY

# CHARITIES

Trustees are moving assets from cash into equities: Page 4

Tuesday December 11 1990

**The voluntary sector is still awaiting the promised legislation, which it believes will strengthen the public's confidence in charities and lead to increased donations. Meanwhile, says Alan Pike, the sector is feeling the impact of high interest rates on individual donors.**




**IN THIS SURVEY**

**Few have made much money from trading**

■ Shops attached to hospices and catering services in theatres have tended to produce the best results — Page 2

■ Volunteering: a niche for older people

■ Charity at work: how the example of one company and its employees won an award — Page 3

■ Tax Incentives: Gift Aid has already achieved considerable success

■ Management: skills remain in short supply, despite a valuable windfall from the recession — Page 4


## From grants to contracts

FEW SECTORS of the economy have ended the Thatcher era crying out for more government regulation. Britain's charities are an exception.

There was widespread disappointment within the voluntary sector that new legislation to control charities, which the government has promised to introduce during the current parliament, was not included in the Queen's Speech last month.

Charities need more money; but a combination of tax incentives, government exhortations to the public to be more generous and increasingly imaginative fund-raising campaigns are not producing enough of it. Voluntary-sector leaders believe that the promised legislation to tighten up the administration of charities and control abuses would increase public confidence and, consequently, income.

The legislation will be based on the findings of the 1987 Woodfield Report, which proposed arming the Charity Commission with a range of stronger powers, to ensure that charities were run efficiently and honestly.

When a charities bill is eventually placed before parliament, it is likely to propose the widening of the commission's powers over charity trustees; and the authorisation of the commission to appoint receivers and managers, transfer a failing organisation's assets to another charity, freeze bank accounts and suspend trustees and employees where mismanagement or dishonesty is suspected.

There is no proof that fraud is any more of a problem in charities than in the commercial sector. Voluntary-sector leaders believe, however, that people would be more willing to donate money if they knew that abuses that did occur were vigorously pursued. They also believe that the publicity generated by debates on the improved regulation of charities when the bill was before parliament would have a beneficial effect on public opinion.

Many of the Woodfield recommendations which do not require legislation are already being implemented by the commission. At the centre of these developments is the transfer of the commission's central register of charities to a computer database, which began operation this autumn.

The use of computerised records will enable the commission to keep up-to-date information on all charities for the first time. Charities will be expected to confirm or amend their register entries by making annual returns to the commissioners.

Only time will tell whether there will prove to be a link between stricter legal regulation of charities and public generosity. Meanwhile, the voluntary sector has been hit badly by the impact of rising interest rates on individual donors. The Charities Aid Foundation's annual household survey last month showed that average monthly individual donations in 1989-90 were £1.28 – a sharp drop from £1.97 per month the previous year.

This decline has taken place in spite of the introduction in 1987-88 of the government's Payroll Giving Scheme, which was intended to make charitable donations more long-term and regular by offering tax incentives. By 1989-90 more than 180,000 employees were contributing a total of £7.3m through the scheme, but its growth has been considerably slower than both the government and charities had hoped.

Evidence from companies with successful schemes suggests that it is not enough for employers simply to introduce payroll giving and hope that it will take off. This is likely to do little more than encourage employees who already donate regularly to charity to move to a more tax-efficient method. Attraction of a high level of new donors appears to depend on strong and regular promotion within the workplace.

The government's Gift Aid Scheme, which offers tax relief on single gifts to charity in excess of £600, has got off to a more promising start since its introduction on October 1. In its first month, it earned charities nearly £2m, including the value of tax relief.

Part of the decline in charitable donations results from many householders feeling the pinch of inflation and high interest rates. But are there more political explanations as well?

Mr Michael Brophy, director of the Charities Aid Foundation, believes people are becoming resistant to the financing of charities to take over welfare work from the state. The foundation's annual household survey showed that 90 per cent of people believed it was the government's responsibility to take care of those in need, with 83 per cent saying that the government should help more, rather than relying on charities to raise money.

**Some local authorities are already preparing to base future financial support for voluntary organisations on contracts, rather than grants, and it is an approach which is likely to continue through many fields of service provision**

The government, however, is determined to see charities more involved in welfare activities, and is shifting the emphasis of public financial support to the voluntary sector from grants to contracts. A particularly strong illustration of this is contained in the proposed reform of the care of the elderly and handicapped in the community. Local authorities will be responsible for co-ordinating and regulating care; voluntary organisations and private companies will play an enlarged part in providing it.

The move to contract funding will be one of the most significant issues facing the voluntary sector during the 1990s. Some local authorities are already preparing to base future financial support for voluntary organisations on contracts, rather than grants, and it is an approach which is likely to continue through many fields of service provision.

Some large charities will grow larger – perhaps much larger – as a result of contract funding. A local authority might, for example, decide to withdraw completely from providing home helps and give all the work to voluntary organisations.

But although contract funding may lead to the appearance of much bigger charities than currently exist in Britain, some charity directors fear potential disadvantages.

Are big, businesslike charities likely to be any more efficient and responsive to individual needs than the big public authorities they replace? Would voluntary workers continue to give their time, and donors their money, to businesslike charities that compete with each other and with commercial organisations for contracts? Might the innovative, experimental work of charities be abandoned in favour of guaranteed revenue from contracts?

Most sensitive of all, would the advocacy role of charities be put at risk by financial dependence on the government, local and health authorities? Staff of child-protection charities, for example, are not always in agreement with local authorities about the best interests of a child. Would this independent, alternative view survive if the charity knew that its contract with the local authority was about to come up for renewal?

It is clear that the shape of at least some charities and voluntary organisations will change considerably during the 1990s. An informal group of senior figures in the sector has, over the past year, been considering how it should respond to some of the most significant developments – including the move to contract funding, the need to diversify and enlarge sources of funds and to find means of attracting and rewarding the quality of staff necessary to run increasingly large and complex organisations.

One idea produced by the group is that some non-profit-making organisations might benefit from setting up profit-making subsidiaries. As well as enabling staff to share in the fortunes of the for-profit subsidiary – helping to overcome the recruitment and retention problems of voluntary organisations, which cannot pay competitive commercial rates for staff – the group suggests that the idea could have other advantages. It might offer better leverage from other funders, make organisations more market-oriented and reduce an organisation's dependence on over-narrow sources of funds.

Mr David Grayson, a former enterprise agency director now working for Business in the Community, who is one of the promoters of the idea, says: "The 1980s saw the development of the Business Expansion Scheme and similar imaginative forms of finance for the corporate sector. In the 1990s, if the non-profit-making sector is going to fulfil the new responsibilities which are before it, equally imaginative new forms of funding are going to have to be developed."

**Alan Pike** on the need for volunteers — and a company that has won an award for encouraging voluntary work among its employees

# A niche for older people

THE MULTI-million pound, big-business image of leading charities can divert attention from one of their most precious resources – volunteers.

Voluntary action. Volunteering. The active citizen. Many terms are employed to describe the activities of volunteers, including some less flattering ones like do-gooding, meddling or medal-seeking.

The Volunteer Centre UK, an organisation funded by the Home Office and sponsors to promote volunteering, adopts an American Red Cross definition in a new guide published last week: "Volunteers are individuals who reach out beyond the confines of paid employment and normal responsibilities to contribute time, in the belief that their activity is beneficial to others as well as satisfying to themselves."

This definition would seem unrecognisably formal to large numbers of people who do not describe themselves as volunteers at all. They would say that they simply devote a bit of time to giving someone a hand in a largely informal way.

The more official-sounding definition does, however, acknowledge a point that is seen as increasingly crucial in the drive to recruit more people to community service – voluntary activity must be organised in a way which satisfies the volunteers. We do not live in an age where many people are likely to give their time in order to undertake unrewarding, badly-managed activities.

Last week brought United Nations Volunteering Day, and many organisations will have used it to promote the concept of voluntary activity. In the UK, there is evidence that individuals became less inclined to give their time to voluntary activity during the 1980s.

The 1989-90 charity household survey, carried out for the Charities Aid Foundation by Manchester University, showed that only 28 per cent of those interviewed had given their time to any voluntary activity during the previous month. This was a marginal decline on the previous year, and the average time devoted to voluntary activities by the active 28 per cent was less that five hours per month.

A survey conducted by Mori for the Volunteer Centre UK earlier this year found that 39 per cent of the adult population had taken part in some form of voluntary work during the previous year, but this compared with 44 per cent in 1981.

The Mori survey showed that middle-aged people from higher socio-economic groups were the most likely to volunteer, and that volunteering was more prevalent in the south than the north. Charity fund-raising is the most common type of voluntary activity, followed by looking after the elderly.

**A Mori survey this year found that 39 per cent of adults had taken part in voluntary work during the previous year, compared with 44 per cent in 1981**

Why are so many people apparently unwilling to take part in voluntary activities? Lack of time, suspicion of possible exploitation of volunteers and fear of becoming over-involved were frequent reasons given to Volunteer Centre UK researchers during a survey conducted earlier this year.

But another, far more basic, reason frequently appeared on the list – many people said they had not volunteered because no one had ever asked them to do so.

A drive is now under way to overcome some of the perceived obstacles to volunteering, and to find ways of encouraging more people – and a wider range of people – to take part.

United Nations Volunteering Day was used by the Volunteer Centre UK to launch a campaign aimed at encouraging Britain's growing proportion of elderly people to give up some spare time to socially worthwhile activities. During the past 18 months, a 50+ group of charities and other organisations has been looking at ways of making voluntary activity more attractive to those aged 50 and over.

Voluntary activity and community involvement, says the group, can offer older people "an enhanced sense of self-esteem", and employers, pension managers and those responsible for running pre-retirement courses should all be aware of its potential.

More than 40 per cent of the population is over the age of 50, and by 2025 this will have risen to more than half. With many people retiring earlier, and elderly people remaining fit and active longer, there is a considerable supply of potential volunteers available.

Beginning at home: Ways to increase the levels of household giving was the theme at the recent Charities Aid Foundation conference. Exchanging ideas with delegates are: the foundation's director, Michael Brophy (extreme right), and its new chairman, Sir John Read (centre right)

But charities, hospitals, social service departments and other organisations require volunteers of all ages and skills; and, with the apparent decline in individual volunteering, increasing attention is being given to stimulating "mass volunteering" through schemes run by employers.

Earlier this year, the Prince of Wales, president of Business in the Community, launched a drive to stimulate employee volunteering sponsored by Whitbread, which is itself currently developing a scheme to encourage its employees to become more involved in such activities.

Employee volunteering could be judged a success, commented the Prince, when it had become "normal practice for every enlightened employer in the land".

By this standard, it has a long way to go. Employee volunteering schemes, while common in the US, remain unusual in British companies, but there is evidence that more are adding volunteering schemes to their community activities.

Surveys suggest that employees are more likely to take part in voluntary activities if they can do so with colleagues on schemes supported by their employers. One of the attractions to charities of employee schemes is the opportunity they provide for recruiting large groups of volunteers. Another is the prospect of gaining access to particular skills – the services of an accountant, for instance, which a small voluntary organisation might not normally be able to afford.

Employee volunteering schemes offer advantages to the volunteers and their employers as well. They can enhance a company's reputation in its local community, and increase the skills and experience of employees.

Demographic changes are increasing competition in the labour market, and employers are intensifying efforts to persuade more women to return to work. The ability of many women to work depends on the availability of a range of services – from pre-school playgroups to meals-on-wheels – which are provided by voluntary organisations. It is therefore straightforward business sense, some employers believe, to encourage their employees to become voluntary workers and keep these services running.


Allied Dunbar employees renovating a cloister garden, at a Swindon community centre

# Extramural builders

ALLIED Dunbar Assurance was last month awarded the trophy for being the UK company that has done most during 1990 to encourage employee volunteering.

The element of surprise would have been at least as great if Allied Dunbar had not won. Since its foundation in the early 1970s, the company has became famous throughout the UK business community for the depth of its involvement in community activities.

The employee volunteering activities which won Allied Dunbar the trophy, awarded by a panel of judges headed by Lord Whitelaw, included:

- A staff charity fund, which raises more than £150,000 a year in donations from employees at the company's Swindon head office.
- Volunteers at Work – a volunteering scheme involving 20 per cent of the workforce in community activities.
- Alpha – Allied Professional Help and Advice – under which the company's specialist staff offer their skills to community organisations, giving advice on computer systems, financial planning, management, training and publications.
- The Allied Dunbar Challenge, which this year saw staff giving 3,500 hours of time to help 42 charities, hospitals and other organisations in a single day.

The example for this range of activities by employees is set by the Allied Dunbar management. Since the company's foundation, it has donated 1 per cent of pre-tax profits to charity, making it one of the first British companies to do so. Community affairs issues are regarded as mainstream business matters by the senior management, and employees receive company encouragement for their community activities – staff on typical Alpha schemes can expect to get paid time off for half the hours devoted to projects.

Mr Jerry Marston, deputy manager of Allied Dunbar's community affairs department, identifies many mutual advantages for the company and its employees in its outward-going approach to voluntary activity.

"It encourages team-building among employees. Staff develop new skills and increase their sense of identification with the company. We are in a tightly competitive local labour market at Swindon, and there is evidence that our positive community image helps up to recruit and retain staff.

"I believe people are becoming more concerned about the social image of their employer – not just in terms of whether the product pollutes the environment, but over the company's attitude to things like community involvement and child care."

Mr Marston believes that a successful corporate community involvement policy must be professionally led. It is, he stresses, a specialist area like any other activity, and cannot be handled as an afterthought by the personnel or finance department.

Allied Dunbar has nine staff in its full-time community affairs department. This means that charitable activities can be professionally managed and promoted – one result of this is that 70 per cent of the company's employees make regular contributions to charity through the payroll giving scheme.

Another requirement, he says, is the strong and genuine support of senior management. "We have people from the boardroom out digging ditches alongside other employees on community projects. "Community involvement is a great leveller. We are a one-level company, and it fits in with our egalitarian approach."

Allied Dunbar invites specialists from outside organisations to serve as advisers when deciding on charitable donations. Projects currently being supported by the company include mental health, caring for carers, debt counselling, disability in the Third World, and the effective management of voluntary organisations.

Mr Marston believes that the professional management of a company's community activities is at the heart of a successful community involvement policy. He emphasises the need for companies to develop long-term commitments with organisations they support, offering follow-up help and advice.

"The benefits of continuing involvement with a cause greatly outweighs the value of just sending off a cheque."

Investment: difficult times call for a professional approach

# Trustees take to equities

Now for a bargain: a stock exchange trader finds Comic Relief

AFTER A decade when investment conditions were generally buoyant, in spite of the stockmarket collapse of October 1987, 1990 has proved to be a tough year for investment managers. And this is certain to be reflected in the investment returns of funds held by charities.

The annual survey by the WM Company, the UK's largest investment performance measurement company, of 126 charities with assets worth £3.7bn, showed an average total return (capital and income growth) in 1989 of 30.1 per cent. The average total return from 80 charities over the first nine months of this year was minus-14.4 per cent.

At its face value, such an investment return could imply that charities face financial disaster, or at least may be forced to cut back on their activities. In reality, the situation is nowhere near as serious as the figures suggest.

Dividend payments on company equities are still growing steadily, though more slowly than during the 1980s, despite some well publicised dividend cuts by certain companies. The negative investment return has arisen because capital values have fallen dramatically on the UK stockmarket. But this will only affect charities if they are currently selling equities.

What the market events of this year emphasise is the need for charities to adopt a professional approach to the investment of the assets entrusted to them. The trustees who run charities now generally realise that they must get the maximum return from their assets without taking undue risks.

They have appreciated that leaving their money entirely on deposit does not produce the maximum return, even if it is risk-free, and certainly may fail to ensure that the value of their assets keeps pace with inflation.

**Trustees need to be clear what their objectives are before they set about investing their assets**

So trustees have been diversifying their assets beyond cash and fixed-interest into equities. Indeed, during the 1980s, trustees have become far more confident about investing in equities as providing a better overall return for an acceptable risk. This year's experience has highlighted that risk, especially where an unduly high proportion of funds is in equities.

Trustees need to be clear what their objectives are before they set about investing their assets. Most charities require a steady flow of income. So trustees need particularly to assess their cash-flow requirements, not only for the current year but for a few years ahead. Assessment of any exceptional and large cash requirements, such as a new building project, are vital in these considerations.

Trustees, with their advisers, can then set out an investment strategy to meet those objectives. For instance, a high and variable cash-flow requirement will mean that a high proportion of the assets ought to be in cash. A high but steady and predictable cash-flow enables more assets to be held in high-yielding fixed-interest stock. A lower cash-flow requirement enables part of the assets to be held in equities.

Equities can provide the potential for steady income growth, but the immediate income from them is lower than that from fixed-interest stocks.

Charities cannot take undue risks with the assets entrusted to them, so the more hazardous equity opportunities, such as overseas equities, smaller companies and recovery situations, have to be ignored. Equity portfolios held by charities invariably consist of a good spread of UK blue-chip stocks, most of which will be constituents of the FT-SE 100 index.

Surprisingly, there is little evidence that charity portfolios have followed the current fashion of "going green" and investing only in ethical, environmental equity stocks.

Although each trust has its own objectives, one can divide charity portfolios into three categories: those requiring income; those with asset restrictions; and discretionary or unrestricted funds. The first two impose certain investment restrictions, and the effect of these on the underlying investment performance is seen from the WM survey.

The average annual return over the five years to 1989, on the income and asset-restricted funds, was 16.5 per cent and 16.3 per cent respectively. For discretionary funds, it was 17.5 per cent – a significant increase, reflecting the higher equity content of discretionary portfolios.

However, the defensive nature of income and asset-restricted funds has been brought to the fore this year. In the nine months to the end of September, discretionary funds had a total negative return of 15.9 per cent, against the average negative return of 14.4 per cent.

**The 1986 Financial Services Act has had an impact on the investment activities of charities**

Trustees have also tended to delegate the practical aspects of the investment of assets to a sub-committee of those trustees with investment experience, while still retaining overall responsibility for the sub-committee's recommendations.

The operation of the 1986 Financial Services Act has had an impact on the investment activities of charities. Previously, many charities had received expert advice and management free from fund managers/advisers acting in an individual capacity. Now, such people feel that, since they are not directly authorised, it would be improper to offer advice or to manage funds. Their employer may also severely restrict such freelance activities.

Investment advice from an authorised investment firm costs the charity money, while the financial service regulations have proliferated the paperwork associated with investment. This is particularly burdensome for the small and medium-sized charities.

In order to limit costs and paperwork, the Charities Aid Foundation offer three pooled funds: a cash fund, an income fund and a balanced-growth fund. The last two are managed by Cazenove, one of the leading firms in investment management of charity funds.

The charges made on the income fund and the balanced-growth fund are an initial 1 per cent and an annual management fee of 0.3 per cent. The usual charges for an exempt managed fund, available to pension funds and charities, is an initial 3-to-5 per cent plus an annual 0.3-to-1.0 per cent. Not surprisingly, these funds are very popular with charities.

**Eric Short**

Tax incentives

# Gift Aid proves its value

CHARITIES SCORED a considerable victory this year with the introduction of a scheme that provides tax relief on large donations to charity.

For months, charities had begged the government to provide tax relief, in the hope that it would encourage wealthy individuals to give generously. This spring, the chancellor of the exchequer announced in his budget that single cash donations of between £600 and £5m would be eligible for tax relief.

The new scheme, known as Gift Aid, came into operation on October 1, and already it has achieved considerable success.

According to preliminary figures from the Inland Revenue, charities received over £1.5m in donations via Gift Aid. The total tax repaid by the Revenue on these donations amounted to £470,000, which means that Gift Aid raised nearly £2m for charity in its first month alone.

Two thirds of the donations came from the corporate sector (in fact, from 11 different companies), but the fact that 240 individuals made donations worth £440,000 in total suggests that Gift Aid is indeed appealing to private donors.

Gift Aid works as follows. If somebody gives £750 to any qualifying charity, that is equivalent to £1,000 before basic rate tax of 25 per cent. The charity receives £750 from the donor and £250 in reclaimed tax from the Inland Revenue. If the donor is a higher-rate taxpayer, he can claim higher rate relief too, in this case worth £150.

When the Chancellor announced the introduction of Gift Aid in March, the Charities Aid Foundation (CAF) estimated that the scheme would raise an additional £50m a year for charities. Helen Donoghue, administrator for the Charities Tax Reform Group which campaigns on behalf of charities, is optimistic about Gift Aid, although she believes it may take a few months before it becomes possible to judge the success of the scheme.

However, it is worth drawing the comparison with the payroll-giving scheme, which has been in existence since 1987 and which has been rather slow to "catch on". In the 1989-90 tax year, charities received about £7m from payroll-giving schemes, whereby employees donate a fixed portion of their salary (deducted at source) to the charity of their choice.

Like many in the charity sector, Ms Donoghue believes Gift Aid's appeal would increase considerably if the threshold were to be lowered. Obviously, with relief being offered on one-off gifts of up to £5m, the scheme was intended to woo the affluent – those who had made money in the City, pop stars, inheritors of large sums, or people who are currently wealthy but cannot commit themselves to making regular donations, for example via a covenant.

Indeed, many charities and campaigners feel that the lower limit of £600 on Gift Aid is too high, and hope that the government will be persuaded to lower it, perhaps to around £250.

"We're very happy with the first results from Gift Aid, but we hope to see the threshold come down to about £250 in order to encourage small one-off gifts as well," says a spokesman for Oxfam.

Although people give to charity because they consider the cause worthwhile, and not simply because the government has come up with a tax-efficient scheme, charities do stress the importance of tax-efficiency nowadays. As Mr Edward Wake-Walker, of the Royal National Lifeboat Institution (RNLI), points out: "Gift Aid is very important, given that the big donors tend to be more tax-conscious."

There are a number of improvements – aside from tinkering with the lower limits on Gift Aid – which charities would like to see in the next budget. These include the boosting of payroll giving and clarification of the position on VAT.

Since its start in 1987, payroll giving has been relatively slow to take off. In the first year (1987-88) some 50,600 employees participated, raising £1.2m. In 1989-90, there were 180,800 employees contracted into the scheme, raising £7.8m for charities.

The scheme works by deduction of a regular donation from the employee's salary and provision of tax relief. Each year, the upper threshold for payroll giving has increased; for the current year it is £600, equivalent to £50 a month. However, many charities would like to see the upper limit raised and a greater effort placed on promoting payroll-giving schemes.

CAF would like to see a government promotion campaign, on the scale of the anti-smoking or Aids campaigns to galvanise the public into action. The RNLI, for example, is disappointed by the low level of payroll donations. It points out that only a very small proportion of its money comes from payroll donations: in fact, in 1989 the RNLI received £44m in donations, of which only £61,298 came from the payroll-giving scheme.

However, Mr Peter Cropper, of the Payroll Giving Association, believes the figures are "gradually moving in the right direction", and remains optimistic that, given time, payroll giving "will eventually take off".

The success of Gift Aid is unlikely to put an end to covenants, which have the advantage of allowing donors to plan their giving over a period of time. However, there have been pleas for a simplification of covenants.

Finally, many charities are concerned about the position on VAT. Some charities are worried that, with the formation of the EC internal market, they may lose their zero-rating, currently allowed on food, fuel and certain pieces of equipment. While the UK government has shown willingness to support the charities in this respect, the position remains unclear.

At present, many charities have to pay VAT on specific goods and services: it is estimated that they pay about £200m a year, or, in some cases, over 10 per cent of their voluntary income. Ms Donoghue points out that charities have to pay VAT on part of their purchases, and that they cannot recover it in the way that businesses and local authorities can.

The Charities Tax Reform Group has suggested the introduction of VAT relief, which would allow charities to reclaim the tax. "This could be the most significant help the government could give."

**Sara Webb**

Management: charities are at a disadvantage in recruitment

# Skills are scarce despite a windfall from the recession

THE RECESSION in the advertising industry is providing some welcome relief for charities that are suffering from a dearth of skilled managers.

In the past few months, some charities have found it easier to fill managerial posts, as casualties of cutbacks in advertising have been prepared to accept lower salaries.

But the situation remains dire for many charitable organisations, as a glance at The Guardian's jobs pages on a Wednesday will indicate. Hundreds of charities are competing for skilled workers, but pay-scales remain well below those in the commercial world.

A chief executive in a medium-sized charity could expect this year, on average, to earn about £30,000 – at least 25 per cent less than his or her counterpart in industry, according to a survey by Charity Recruitment, the recruitment service for the voluntary sector. Last year the gap was about 20 per cent.

The situation is even worse for Britain's smaller charities, where the gap jumps to an average 37 per cent. Eighty per cent of the country's charities have a turnover of less than £1m, and they are finding it increasingly difficult to fill senior posts.

The story from smaller charities trying to find the right manager is similar. They advertise a post, wait for the response, and find applicants unsuited to their needs. They re-advertise, wait again, and if lucky short-list and interview. This still may not produce the requisite administrator, director, area executive or volunteer bureau co-ordinator. So they advertise yet again, increasing the advertising bill – and all this time they could be operating without a full managerial team.

The problem is particularly acute now, given the squeeze on spending faced by smaller charities in particular. Local-authority cuts and competitive tendering have reduced charities' budgets – and at a time when the demands they face are growing. The fragility of funding – which might be for a specified period only – has reduced job security and consequently put off potential job candidates.

The problem is further compounded by the fact that there are simply fewer younger people in the labour market. Demand is outstripping supply.

The Bristol Council for Voluntary Services is just one of the smaller charities that has been on the look-out for a director, offering up to £17,300 for somebody with practical experience as a manager. Mr Eric Wilson, office manager, points out the dichotomy: the salary is not "wonderful", because of funding pressure, but that funding pressure necessitates more than ever that a highly-qualified person be found.

That, too, is a common theme. Increased demands on charities in today's tight economic environment means an emphasis on efficiency. As well as being "well meaning", employees need relevant qualifications and experience.

Like fellow volunteer organisations, Greenpeace has been forced to recognise such realities and raise its salaries – although these still remain considerably lower than in industry. The group has, of course, been helped by a growing income as environmental awareness has increased. Not all such organisations have been so fortunate.

**Charities can still generally rely on the goodwill of people, many of whom are prepared to take a pay-cut because they feel they are doing something worthwhile**

Peter Melchett, executive director, says Greenpeace's larger size has necessitated an increasingly professional approach: "When Greenpeace was very small, it couldn't afford to pay, and many people worked for nothing, but they worked for comparatively short periods of time and burnt out."

To keep good people, long term, they have had to pay more.

Charities can still generally rely on the goodwill of people, many of whom are prepared to take a pay-cut because they feel they are doing something worthwhile. But are lower salaries a barrier to efficiency?

Olga Johnson, founder of Charity Recruitment, believes this may be so. It may have been sufficient in the past for charities to be managed by retired ex-servicemen, she says, but now the need is for people with experience in administration, fund-raising, finance and marketing.

The larger charities are responding to this by making senior jobs more attractive. Many are introducing career development paths and improved benefits packages, including pensions, health-insurance schemes, and sometimes even cars.

Mention perks to smaller charities, and you are likely to get a sarcastic laugh. Many such organisations are simply struggling from day to day, unable to increase salaries because of local authority grading structures.

It is also debatable whether their inability to pay commercial rates means that they will have to suffer a poorer quality of management. The "charity culture" – where managers are often expected to do their own typing, make the coffee and manage by committee – may not be suited to someone from the corporate world.

As one charity worker says: "There's management and there's management. Some skills you would obviously use in every situation, but others may be entirely inappropriate for a charity. Personal style and presentation may be far more important."

**Hilary de Boerr**

## TECHNOLOGY

# A dip in the R&D pool

### Michael Kenward looks at why Japan's Kobe Steel is setting up in Britain

Sokichi Kametaka wants his company to have a research organisation that works like the world's stock exchanges, around the clock. "R&D is a matter of fighting against time," says Kametaka, the president and chief executive officer of Kobe Steel, the Japanese metals and manufacturing company.

Last month Kobe officially opened a new purpose-built laboratory at the Surrey Research Park. "We recruit scientists of the same level and quality in all our laboratories," says Kametaka, "Then we install the same equipment and facilities. Any time of the day, somewhere in the world our research is continuing." In the US Kobe's researchers work in North Carolina and in the Glastic Corporation, a company that Kobe took over when it moved into plastics. The company's global network will concentrate on two areas of R&D; polymers and diamond thin films for use in electronics.

Kobe was led in its plans to set up in Britain by Sir Geoff Allen, a polymer scientist and former chairman of the Science and Engineering Research Council. Allen chaired an advisory panel to help Kobe establish its R&D operation in Britain.

Following the panel's advice, the company sponsored research on polymer science in a number of universities. Some of these projects will continue at the new R&D centre.

Traditionally a steelmaker and machinery manufacturer, Kobe decided four years ago to enter the world of advanced materials. In particular, Kametaka wanted to break into polymers and composites. At the time the company was not active in polymer technology. It has since embarked on a series of acquisitions, beginning with the Glastic Corporation in the US.

Kaizaburo Saito, the general manager of the company's new laboratory in Surrey, says that Kobe wanted to conduct research outside Japan partly because Japanese scientists have a poor record of innovation. "We are expecting original and innovative work here," he said.

"Most polymers were invented in Europe or the US. Unfortunately, Japanese companies have never invented brand new polymers. The Japanese improved processes, for example we improved on catalysts, but no new polymers." Saito does not, however, expect Kobe's British research to produce new polymers. "There are more than 50 polymers already, so even if we invented a new one it would be difficult to find a big market."

Saito plans to concentrate on understanding how blends of polymer produce materials with different characteristics. "Many people are trying to make new blends of polymers but have no basic understanding of what happens. We would like to carry out fundamental studies, as well as work on the application of the new blends."

Allen says that the company's research will be directed at producing materials for automobiles and the mass market in general. "What we will try to do is bring aerospace quality into the automobile business." Here the company is putting itself in a position to continue to supply its current markets, even if car makers abandon metals in favour of polymer components.

Kobe's entry into research in Britain is part of the company's general plan to "globalise" its activities. Setting up an R&D operation is a relatively inexpensive way of putting a toe in the water. Saito says that this year Kobe's budget for the R&D centre is Y300m.

The move into Britain is also a part of the company's strategy to change direction, and to move away from its dependence on steel and other metals. Saito says the company's R&D strategy is an important part of a broader plan to move into the polymer business. The aim of the research programme is to become familiar with the science of polymers and then apply Kobe's metals processing techniques to the plastics industry.

To provide it with the production facilities for polymers, Kobe plans to acquire plastics companies that could benefit from new polymer technology. Instead of taking over high-tech companies where the risks are high, Saito expects Kobe to acquire relatively small companies.

The target will be "low- or middle-tech companies that are making money," he says, "companies that can afford to expand their current business. They need R&D but they cannot afford it." Kobe's strategy will be to introduce advanced technology into these 120 companies. It may also set up new companies as joint ventures.


"WE EAT, SLEEP AND BREATHE POLYMERS HERE."

Saito says that Kobe was fortunate when it came to recruit researchers to work at its Surrey laboratory. When looking for team leaders to direct the research, he expected to need the services of a headhunter. This turned out not to be necessary because BP and Courtaulds, among others, were pulling out of some areas of polymer research. This meant that Saito could find the people he needed simply by advertising for staff. He had 280 applicants for four senior jobs.

Saito has already recruited around a dozen scientists to work on polymers. Eventually he hopes to have a team of 30, about the same size as the team now working on polymers in Japan. Kobe is also recruiting scientists to work on diamond thin films. There will be fewer researchers in this area, which is far more speculative. Here Kametaka is looking at least one generation ahead of the existing technology of electronic integrated circuits, which is based on microelectronic chips made on wafers of silicon.

"The silicon wafer will be replaced by gallium arsenide," says Kametaka, "and then that will be replaced by a new substrate. We are thinking of the diamond thin film as a replacement for that." He believes that even if diamond does not completely oust the competition, it will find special uses with its superior ability to remove heat and to withstand radiation. "We are conducting research all the way from fabrication to the evaluation of thin films," he says.

"The first reason why we like to do R&D in the UK is because we are seeking basic research and creativity. Japanese research is better at improving technology, in applied research and commercialisation."

In Japan, the team matters more than the individual; and younger scientists defer to their elders. This stifles new ideas, which tend to come from young researchers who challenge the conventional wisdom.

Another reason for conducting research in other countries is to bring Japanese scientists into contact with the European way of doing things. Saito hopes that by bringing Japanese researchers to work in Britain, and by sending 180 Britons to Japan, the European style will rub off on Japanese scientists.

# Little projects, big ambitions

Japan is famous for conducting research and development in a big way. However, much of Japan's R&D is small in nature. Such projects are supervised by the Science and Technology Agency (STA) and the Ministry of International Trade and Industry (Miti).

The STA is funding small-scale research projects under a scheme called Exploratory Research for Advanced Technology (Erato). Established in 1981, Erato has emerged as a model of small-scale basic research. For Japan, which has only a few Nobel prizes in the sciences, basic research is a means to gain new building blocks for the development side of R&D.

Projects funded by Erato last about five years and focus on scientific topics such as molecular architecture, which are largely unexplored. The projects are staffed by relatively young researchers from Japanese universities and companies, but foreign researchers participate as well.

New Erato projects address such topics as interaction between electrons and electromagnetic fields under the title of "phase information", and methods of depositing atomic-level materials on fine surfaces and the means to study those materials.

The phase information project is led by Akira Tonomura, a specialist at Hitachi advanced research laboratory, while the so-called "atomcraft" project is supervised by Masakazu Aono, a chief scientist at the Institute of Physical and Chemical Research. Transfer of information within organic substances is being studied under the bioinformation transfer project.

Erato projects are conducted at existing corporate or government research facilities, and three or four core companies participate in each scheme. Project leaders often buy or make new equipment, but they do not have to spend money on new buildings. The emphasis is on creativity and individual initiative, which is a refreshing change of pace in Japan's laboratories.

While the Erato scheme typically funds about one dozen projects, scores of other small-scale research projects are sponsored by the government's Japan Key Technology Centre. These are usually collaborative projects which concentrate on areas such as synchrotron-orbital radiation for tomorrow's semiconductor production methods or processing of materials in microgravity conditions.

Other research is taking place in areas such as optoelectronics, aircraft-related technology, communications know-how, microelectronics and biotechnology.

The stated aim of these projects is to focus on basic research. In reality they typically steer towards medium-term development-side objectives. For example, Tokyo-based Space Communications Research, a consortium for satellite R&D, is developing know-how for large satellite antennas, high-powered transponders, and high-frequency signal relay capabilities. It disseminates information to participating companies, including many of the large electronics producers.

The consortia obtain only partial funding from the centre. Most of the research budgets come from corporate members of the consortia. Research topics are often considered too far beyond the technical horizon for companies to handle alone. Hence, they band together under the umbrella of the centre.

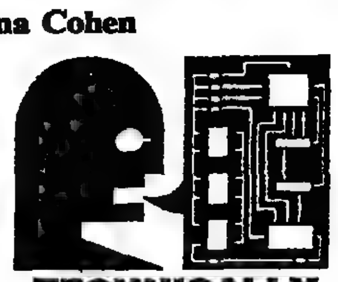
Product development tends to be the ultimate focus of Japanese research, and the Erato and Japan Key Technology schemes are no exceptions.

Recent figures from the US National Science Foundation show that the US channels only 1.8 per cent of its GNP into non-defence R&D while Japan devotes 2.8 per cent to the same category. Moreover, data from the Organisation for Economic Co-operation and Development indicates that Japan's R&D spending is expanding three times faster than that of the US.

**Neil Davis**

# Science study in need of a lesson

**By Norma Cohen**



TECHNICALLY SPEAKING

Traditions die hard in education, as in most sectors. One tradition that will have to be dragged kicking and screaming from the educational scene is the one which forces children to decide their academic preferences at about age 14, when most are still grappling with how to make an appropriate choice of film.

While the advent of the national curriculum has broadened the range of study up to age 16, a curious battle has emerged over science study – an area increasingly neglected by the nation's young people.

The question is whether the time-honoured tradition of studying three separate sciences at ages 14 to 16 should be maintained, or should all children be required to take a "balanced science" course. The latter comprises not only the three pillars of science study – chemistry, biology and physics – but earth science and astronomy as well as several interdisciplinary sciences.

The reality is that the study of three separate sciences takes up about 30 per cent of curricular time at GCSE-level, while the double-award combined science curriculum will take up to 20 per cent of study time. Both are considered to be adequate preparation for A levels in any science subject. (Schools also have the option of offering a single award science course, taking up only 12½ per cent of class time, which virtually precludes science study beyond age 16.)

Students who opt for three sciences will find that some subjects, likely to be history, geography, art, music and physical education, have to be curtailed. Without those subjects at GCSE level, A level study is impossible, as is a university course. Thus, at 13, students will be precluded from pursuing a career in certain subjects if they choose the three science route. "If you ask your average 13-year-old whether he wants to study chemistry, his answer depends on whether he's had an inspiring chemistry teacher," says Robert Moore of the Association for Science Education.

Offering students a smorgasbord of science study allows them to see the full range of scientific inquiry, rather than discrete parts of it. Furthermore, key aspects of science do not fit neatly into packages labelled chemistry or physics.

Perhaps the most compelling arguments in favour of the smorgasbord approach are contained in a study conducted last year by Brian Woolnough of Oxford University's Department of Educational Studies on the attitudes of sixth-formers towards science. Many perceived science to be a difficult subject which one could tackle only with inherited ability. Material was seen as dull and difficult, requiring passive reception rather than interactive study and bearing little relation to real-life issues. The latter was particularly true among girls. A balanced science curriculum offers a chance to correct that view.

Despite an overwhelming body of opinion in favour of the double-award approach from organisations such as the Royal Society and the Association for Science Education – both of which are troubled by the decline in the number of home-grown scientists – the government has decided that the teaching of three separate sciences can remain. Schools will have the option of offering combined sciences, three separate sciences or both.

The only organised source of support for this decision came from the nation's independent schools, which cite a desire to challenge the most able students. Also, they note, teachers may prefer to go on teaching their speciality rather than tackle the broad science field.

But the existence of a two-tiered system for science study is still likely to lead to a separation of sheep from goats, with combined science perceived as a poor cousin.

## FT LAW REPORTS

# Bank cannot sue in the UK

ROYAL BANK OF SCOTLAND PLC v CASSA DI RISPARMIO DELLE PROVINCIE LOMBARD AND OTHERS
ROYAL BANK OF SCOTLAND PLC v ISTITUTO BANCARIO SAN PAOLO DI TORINO
Queen's Bench Division (Commercial Court):
Mr Justice Phillips:
December 5 1990

PLACE OF performance of a bank's obligations in international credit transactions is not identified by application of any general rule, but depends on the nature of the particular transaction; and where parties to a letter of credit agree that the issuing bank, which is not domiciled in the UK, will reimburse the confirming bank through a specified bank in the US, place of performance of the reimbursement obligation is the US, and the English court has no jurisdiction to hear a claim for breach.

Mr Justice Phillips so held when striking out two actions by the Royal Bank of Scotland plc (RBS) against Cassa di Risparmio delle Provincie Lombard and four other Italian banks, and Istituto Bancario San Paolo di Torino, for lack of jurisdiction.

Article 2 of the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters 1986 provides: "Subject to the provisions of this Convention, persons domiciled in a contracting state shall . . . be sued in the courts of that state".

Article 5: "A person domiciled in a contracting state may, in another contracting state, be sued: (1) in matters relating to contract, in the courts of the place of performance of the obligation in question".

HIS LORDSHIP said that Italian importers purchased consignments of Argentinian pears to be shipped from the Argentine to Genoa and Savona.

Payment was to be in US dollars under irrevocable letters of credit to CIR Ltd in London.

On instructions from the importers six Italian banks requested the Tottenham Court Road branch of RBS to confirm the letters of credit. Each Italian bank stated that claims for reimbursement by RBS should be made to specified banks in New York or Philadelphia.

RBS confirmed the letters of credit. Documents were presented under those letters. RBS took up the documents and paid CIR. The importers then received information that led them to suspect they were the intended victims of a fraud, and that neither the pears nor the ship existed. They instructed the Italian banks to freeze the credits.

The Italian banks revoked the authorisation to the American banks to reimburse RBS, and informed RBS that it would not receive reimbursement. RBS called on the American banks to reimburse them. When they declined to do so, RBS commenced the present actions.

The Civil Jurisdiction and Judgments Act 1982 gave the 1968 Convention on Jurisdiction in Civil and Commercial matters the force of law in the UK.

RBS contended that its claim was founded on a right to reimbursement in London, and that accordingly the English court had jurisdiction under article 5(1) of the 1968 Convention.

The Italian banks contended that the claim was founded on a right to be reimbursed in America, so that the English court had no jurisdiction.

The "obligation in question" within article 5(1), was the obligation owed by each of the Italian banks to reimburse RBS. Identification of "place of performance" was complicated by the fact that it was possible for one bank to reimburse another by using one of a number of different methods of payments, some of which involved the intervention of one or more correspondent banks.

The RBS contended that in the absence of express or implied agreement to the contrary the general rule of English law required the debtor to seek out the creditor at his place of business and pay him there (see *Chitty on Contracts 6th ed para 1530*). Thus, it was argued, under that general rule the Italian banks were obliged to seek out RBS and reimburse it in London.

Where the rule had not accorded with the practical demands of a particular type of contract the courts applied a more efficacious alternative. In particular the rule did not apply to the relationship between banker and current account customer – a customer was obliged to demand payment at the branch where the account was kept.

It did not follow from that special rule that the general rule had no application to inter-bank transactions. It was necessary to look at the nature of the particular transaction in order to decide whether it was appropriate to apply the rule.

The parties adduced expert evidence as to banking practice. Nothing in that evidence led to the conclusion that in the absence of agreement business efficacy called for reversal of the general rule of English law so that reimbursement had to be made at the issuing bank's place of business.

Mr Scott for RBS contended that whatever practice might be adopted as a meter of usage, in the absence of agreement the only right that a confirming bank had was to be paid money or money's worth at its place of business.

That was not so. It was not realistic to attempt to identify place of performance of the reimbursement obligation in international credit transactions by the application of any general rule.

Insofar as credits could be freely transferred between countries, the manner and place of reimbursement were likely to be readily agreed between confirming banks and issuing banks, and no difficulty would arise in practice in determining where performance was to take place.

In the present case there was no reason to think that the place of performance was of particular significance to any of those involved so long as the Italian banks were bent on performance. It had assumed prominence only because of its impact on jurisdiction. In such circumstances to determine the place of performance by application of a rule that was at odds with the usual practice would be very much a last resort.

The court was not driven to that expedient.

Each request to RBS to confirm the credit stipulated in effect that reimbursement should be claimed from a bank in America. After confirming each credit RBS confirmed it would claim on the American bank. RBS contended that those communications did not amount to contractual agreements but simply provisional arrangements as to a proposed method of reimbursement which the issuing bank was free to alter without breach of contract. The Italian banks contended there was binding contractual agreement that reimbursement would be effected through the specified American banks.

There was no doubt that the specification of the reimbursing banks was of contractual effect. Article 21 of the UCP made express provision for payment through a reimbursing bank. The Italian banks requested RBS to confirm the credits on the basis that the specified American banks would be the reimbursing banks. RBS implicitly accepted those offers by confirming the credits, and subsequently stated expressly that they would claim on the reimbursing banks.

That constituted express contractual agreement between the parties as to the manner in which reimbursement would be effected.

The agreement between RBS and the Italian banks was that RBS should claim on the American reimbursing banks.

Wherever the reimbursed RBS account might be, the stipulation for use of an American reimbursing bank made America the place of performance of the reimbursement obligation for the purposes of article 5(1).

Place of performance was America where the issuing bank had to procure the credit or facility with the reimbursing bank, not the place where RBS would ultimately be credited as a result of drawing on the reimbursing bank.

The reason for the reimbursing bank's failure to pay was that the Italian bank had renounced its obligation to pay, whether through the reimbursing bank or at all, and withdrawn instructions from the reimbursing bank. That conduct, if without legal justification, was repudiatory. RBS did not accept the repudiation.

The agreed mode of performance was through banks in New York or Philadelphia. The agreed place of performance was New York or Philadelphia. Nothing occurred to alter the agreed mode and place of performance.

The Italian banks failed to effect performance by that mode and in that place. The substantive issue in each action was whether they could justify that failure. That was not an issue which could be resolved in the English court, because England was not the place of performance of the obligation in question.

*For RBS: Peter Scott QC and Alan Griffiths (Slaughter and May).*

*For Cassa di Risparmio and four other Italian banks: Simon Tuckey QC and Jeremy Storey (Mackenzie Mills).*

*For Istituto Bancario: Richard Aikens QC and Peregrine Simon (Norton Rose).*

**Rachel Davies**
*Barrister*

## COMMODITIES AND AGRICULTURE

# Opec members begin to look beyond Gulf crisis

## Recent events may have led oil ministers to rethink longer term strategies, writes Steven Butler

THE SCENE in the lobby of the marble-clad Vienna Marriott Hotel – where ministers from the Organisation of Petroleum Exporting Countries gather today – is sure to have the air that something important is happening upstairs. Journalists will crowd around each minister who comes down, pressing for the latest details on oil production or Opec policy. Within seconds the rest of the world will know too, as anything said will be flashed electronically into trading rooms around the globe.

Yet for the first time in years, almost nothing that Opec does in Vienna is likely to have much immediate impact on oil markets. With all member countries, barring Kuwait and Iraq, producing oil at capacity, Opec can do nothing to increase supplies and drive down prices. At the same time it is unthinkable that Opec would decide to restrain production and send prices through the roof.

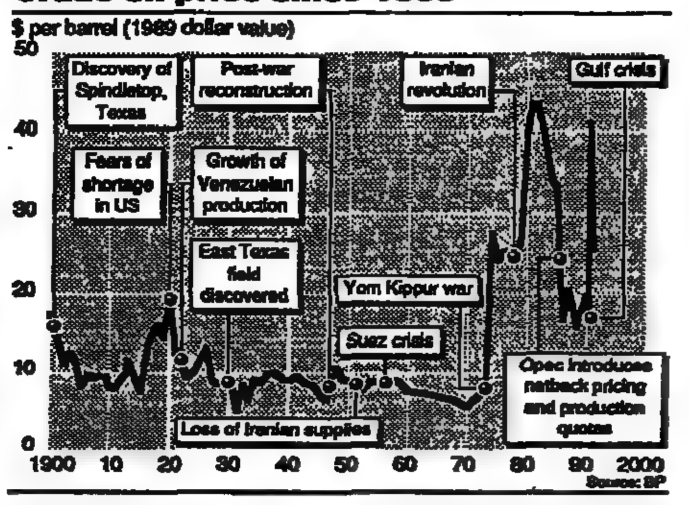
The meeting is none the less an important event for Opec and for the world oil industry. For the the first time ministers will have a full opportunity to begin sounding each other out and forming a strategy for what Opec will do *after* the crisis. The chances are that the events of recent months and soaring oil prices have lead many ministers to rethink plans for the years ahead.

Iraq's invasion of fellow Opec member Kuwait appeared for a short while to put the future of Opec itself into doubt. Saudi Arabia and Venezuela were threatening to lift output in defiance of Opec agreements. Meanwhile many Opec members, subject to unsubtle pressure from US diplomats, were reluctant to get involved in a conflict they believed did not concern them. In the end, however, under the skilful leadership of Mr Sadek Boussena, the Algerian oil minister and Opec president, a compromise was fashioned that suspended production quotas. Most importantly, the group came through the initial shock politically intact and in the eyes of the world acted responsibly by sanctioning an increase in production.

Its performance subsequently has been nothing short of stunning. From a low point of 19.9m barrels a day of crude oil production in August, according to the International Energy Agency, Opec last month produced 22.9m barrels a day of oil. This exceeds by 400,000 b/d the production ceiling Opec set for itself in late July, and meanwhile oil demand has fallen sharply. Saudi Arabia expects to be producing 8.5m b/d by the year end, compared with 5.4m b/d before the crisis – an increase equivalent to more than 1½ times UK production.

**Crude oil price since 1900**

$ per barrel (1989 dollar value)



Source: BP

Opec members have not even been able to sell all the extra oil and Saudi Arabia and Iran now hold millions of barrels oil in storage or in tankers close to markets. The IEA reported that Iran alone had 30m barrels of unsold oil in Europe last month. After a surge in oil prices through $40 a barrel in September and October, prices have fallen back to about $26 a barrel as supplies have swollen and the "war premium" has shrunk.

The prospect of a collapse of oil prices below $15 a barrel following a peaceful resolution of the Gulf crisis has become frighteningly real for oil exporters. The remarkable increase in Opec production has finally settled the debate over how much excess capacity existed and has underlined just how much restraint some of these producers have in fact displayed over the years.

As most participants in the oil industry realised long ago, oil markets must be managed if price instability is to be avoided. This is something for which the history of the oil industry provides ample proof. With high fixed capital cost and low operating costs, excess capacity installed during periods of high prices tends to stay around for a long time. Only collective decisions to restrain production can maintain prices at something approaching the long term marginal cost of production.

Kuwait was the principal proponent of an Opec strategy that emphasised maximising the long term value of Opec reserves by keeping prices low. This both discouraged non-Opec oil investment and stoked demand. Saudi Arabia also endorsed the strategy although it tended to be less extreme in its views and was more of a collective player. The strategy was instrumental in rebuilding Opec's share of the world oil market after it was severely eroded in the early 1980s.

The low-price strategy, however, must look increasingly suspect following the Gulf crisis. Even before August, both BP and Shell were looking seriously at the possibility that worldwide oil demand would peak around the turn of the century, in part because of the environmental pressures to restrain consumption. In the aftermath of Iraq's invasion of Kuwait, Western governments will certainly be looking for ways to cut their dependence on Middle Eastern oil, particularly as it is nearly impossible to envisage any outcome to the crisis that promises long term stability.

If the market for Middle East oil is bound to decline almost regardless of price, there may actually be no long term benefit in maintaining excessively low oil prices. Furthermore, following the crisis Kuwait, assuming it retains independence, will almost certainly want to maximise revenue in the short term and this may dictate high prices rather than high production volumes.

Mr Sylvan Robinson, chairman of the energy and environment programme at the Royal Institute of International Affairs and former president of Shell International Trading, has recently argued that western governments should, if anything, encourage Opec efforts to manage the market at a higher price, say between $25 and $30 a barrel, that would both help achieve western energy security and environmental goals while meeting Opec revenue needs. He suggests Opec establish large oil stocks close to major markets and manage the flow of sales to maintain price stability.

Given Opec's usual difficulties in agreeing and implementing production plans, this must appear wishful thinking. Yet the logic behind Opec's strategy has been subtly altered and it would be surprising if this did not affect its behaviour in future years.

# Away-day plan to save EC fish stocks

**By Lucy Kellaway in Brussels**

THE EUROPEAN Commission has proposed that all boats fishing for cod and haddock in the North Sea should take ten consecutive days off each month, in an effort to correct the serious depletion of community stocks.

The plan is part of the commission's fishing quota package for 1991 and reflects concern that previous limits have not been observed, allowing the picture for stocks to deteriorate unacceptably quickly. The package is likely to be met with considerable resistance at next week's Brussels meeting by ministers who recognise that the industry is in a state of crisis but are reluctant to cause any further hardship to their fishermen.

The plan – which for most types of fish and for most areas proposes similar quotas to the 1990 levels – suggests a series of specific strict measures for areas in which the shortage of fish is most serious. In parts of the North Sea which young fish predominate, it is suggesting that net mesh sizes should be increased from a minimum of 100 mm to 120 mm. A similar measure covering all white fish in the North Sea was put to last month's council meeting, where it received a hostile response from ministers, who suggested a much more modest increase in mesh size.

In other endangered areas, the commission is proposing a ban on herring fishing in the Irish Sea for limited periods, and restrictions on hake fishing in Spain and Portugal.

The commission's proposals are based on the evaluation of stocks carried out by independent scientists and most of its quotas match the scientists recommendations. For cod and haddock fishing in the North Sea the scientists recommended a reduction of about 30 per cent, whereas the commission's proposal of a 10 day break is rather more modest, as most vessels do not work a 30-day month.

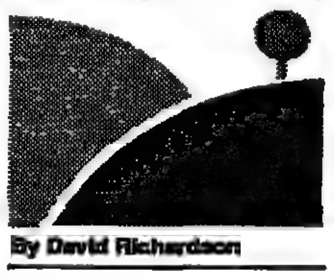
The commission also brought forward its long-awaited proposal yesterday banning all drift nets in EC waters, including the Mediterranean. The proposal, which follows a UN resolution to stop the use of such nets by 1992, will also be put to ministers next week. As most member states do not use such nets anyway, they may be happy to agree the measure, which will send out the right signal to the environmentalists.

Only France uses drift nets in the Mediterranean, and may resist the move. Already the directive has been blocked once at the level of the commission, with some commissioners arguing that more scientific evidence was needed on the damage caused by such nets before the measure could be put forward.

# Farm sector is bracing itself for heavy casualties

## Whether Gatt negotiators reach agreement or not, the level of aid to EC farmers is likely to be cut

**FARMER'S VIEWPOINT**



By David Richardson

ATTRIBUTING BLAME for the break-up of the Gatt negotiations in Brussels last week seems a pointless exercise. The point is that agreement between the powers represented proved impossible because of the unwillingness of either side to move from entrenched positions on agriculture.

Perhaps a cooling off period over Christmas will be followed by more flexibility in the New Year when the Uruguay Round reconvenes. As a farmer who has been implicated I certainly hope that turns out to be the case. The status quo, in which many farmers find it impossible to make a profit while agricultural support increases, is obviously not a long term option.

Nevertheless, like the mass of farmers, numbering from 30,000 to 50,000 depending on which newspaper you read, from all over the world who marched through the streets of Brussels this week, I am fearful of the consequences of a Gatt agreement. Unless it is accompanied by assurances that the UK and the EC will not be flooded with food at prices I cannot match it could put me out of business.

Indeed even the 30 per cent cut in EC farm subsidies proposed by the European Commission but so far rejected by the US and the Cairns Group could in isolation be a disaster for many European farmers – some estimates suggest 2m to 3m of the EC's 11m farmers would be forced off their farms. The promise given a few weeks ago by Mr Ray MacSharry, the agriculture commissioner, that no European farmer would go bust if such a cut was agreed was unsubstantiated rhetoric.

The inescapable fact remains, however, that whether the Gatt negotiators reach agreement in the new year or not, the level of aid to EC farmers is likely to be cut over the next few years by an amount that may not differ much from that proposed to the Gatt. The political momentum for such a move is now virtually unstoppable.

In simple terms that probably means a 15 per cent cut in guaranteed intervention prices over the next five years. (They have already been reduced by about 15 per cent over the last five years enabling the EC to offer the Gatt a cut of 30 per cent over ten years backdated to 1986.) Meanwhile inflation will continue to raise costs. We are told that this is being brought under control in the UK but it would, I suspect, not be unreasonable to suppose that it may average 7 per cent over the next five years.

On the face of it therefore and in the absence of other factors British farmers may be faced with a cut in the price of their products of 15 per cent and increases in their costs of 40 per cent. Given that most are already finding it difficult to break even against present costs and at current prices a crisis is clearly looming.

Market forces would, of course, tend to reduce the amount spent on inputs to meet the changed circumstances. Indeed that has happened to a limited extent already as margins have declined. Redundant farm workers, ICI's Fertiliser Division, machinery manufacturers and dealers and many others know this to their cost. The question is, how much more elasticity is there in the system?

Most farmers and ancillary traders I suspect would argue that it is already stretched to the limit. Variable costs or inputs such as fertilisers and spray chemicals for instance are energy based and the situation in the Gulf is pushing prices up not down. The cost of farm machinery is also governed by such external forces and seems bound to rise in spite of reduced demand.

Land, that most basic raw material of the farmer, has come down in value in recent years but because of development and residential pressures in this crowded country not by anything like enough to accommodate further severe cuts in farm incomes. This in turn will ensure that rents do not fall significantly although they will have to stop rising.

Interest rates, the pundits tell us, will come down as we approach the next election although who knows what will happen when that is over? But labour costs will continue to rise by at least the level of the retail prices index and probably more, which will in turn inhibit any substantial swing to organic farming, which is labour intensive.

It seems clear therefore that the casualty rate of farming businesses over the next few years would, in the absence of other measures or factors be high. Moreover it would be higher still if the EC agreed to US demands to cut European farm support even more severely.

There is of course the possibility, some would say certainty, that subsidy cuts will reduce production and market prices will then rise to their competitive level. Indeed a few macho farmers with low overheads and big ideas are advocating the complete removal of all farm aid in the belief, presumably, that they can survive and ultimately prosper in a free market.

Most farmers and their organisations, however, are debating what should replace the present system of support. It is widely acknowledged that there is little hope of higher farm prices while commodities are in surplus and a growing acceptance of the need to agree some form of production control in return for reasonable price support.

For it is surpluses which cost the most money – both the storage and disposal of them and subsidised prices on the world markets. Hold production down to the level of domestic consumption, the argument goes, and you reduce support expenditure dramatically.

Whether the Gatt negotiators will accept such a concept after Christmas, or indeed, whether the EC representatives will even propose it, I cannot say. It is, however, now the joint approach of the farmers' organisations of France, Germany and some other EC members as well as Britain. As a temporary measure until production has adjusted to market demand it would help to bridge the Gatt gap.

# Six South African gold mines forecast to close

**By Kenneth Gooding, Mining Correspondent**

SIX SOUTH African gold mines can be expected to close within the next two years unless there is a sustained rise in the price of the precious metal, suggests Mr Michael Spriggs, analyst at the S.G. Warburg Securities financial services group.

About 44,000 miners, or nearly 10 per cent of the South African gold industry's workforce, are likely to be laid off by the start of 1991 as cuts in production already in train begin to bite, he adds.

The full impact of the production cuts will be felt in 1991 when South African gold output is projected to fall by nearly 15 tonnes (or about 2.5 per cent) to 590 tonnes, says Mr Spriggs in Warburg's International Mining Outlook publication. He thinks the sustained price rise needed to save the threatened mines is "unlikely".

The South African industry has been badly squeezed by falling prices and a "relentless squeeze on margins from cost inflation," Mr Spriggs says. During the last two years the gold price has been down to $350 a troy ounce, at which point 16 per cent of the 1989 South African production and 24 per cent of the 1990 production would have been at a loss.

"Even at US$400 an ounce, 18 per cent of 1990 output is loss-making."

South Africa's better-quality, low-cost mines are maintaining stable output but the high-cost marginal producers and higher cost, medium-life operations have introduced wide-ranging production cuts over the past year as part of rationalisation programmes aimed at maintaining profitability, Mr Spriggs recalls.

The South African government is considering giving some help to some of the marginal mines, including Harmony, Venterspost, Blyvooruitzicht, Durban Deep, Bracken, Doornfontein and Grootvlei, says Mr Spriggs, but any assistance package would be complicated.

"The current indications are that mines receiving government aid would be prevented from paying dividends, while the government would have first call on possible loans if the mines returned to viability."

## WORLD COMMODITIES PRICES

### MARKET REPORT

Gold moved ahead on short covering yesterday, although the London bullion market remained quiet with most business confined to New York. An announcement by Iraq that it would never give up an inch of Kuwait – rejecting reports that it was holding secret talks on the issue – also gave support, dealers said. "Some US funds are playing the gold/silver ratio...buying gold and selling silver," one added. Consequently, silver moved down. On the LME aluminium prices retreated on IPAI data showing producers' unwrought stocks rose 69,000 tonnes in October and total stocks rose 18,000 tonnes. Traders were expecting unwrought aluminium stocks to have fallen sharply, reflecting producers' shipments to LME warehouses in October. Tin recovered some of last week's losses. In New York frozen orange juice futures were sharply lower at midday, under pressure from commission house and local selling ahead of Tuesday's Florida crop report from USDA. Analysts said the weakness of demand was exacerbated by expectations of a 165m 90lb-box crop. Spot January posted a life-of-contract low at 99 cents a lb before retracing.

**Compiled from Reuters**

### London Markets

| SPOT MARKETS | | |
|---|---|---|
| **Crude oil (per barrel FOB)** | | + or - |
| Dubai | [illegible] | [illegible] |
| Brent Blend (dated) | $28.65-8.75 | +0.35 |
| Brent Blend (January) | $27.65-7.75 | +0.45 |
| W.T.I. (1 pm est) | $23.08-3.10v | +.265 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | + or - |
| Premium Gasoline | $259-261 | +9½ |
| Gas Oil | $266-268 | +15 |
| Heavy Fuel Oil | $138-140 | +2 |
| Naphtha | $259-265 | +11½ |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $374.05 | +4.80 |
| Silver (per troy oz)♣ | 409.75c | -5.00 |
| Platinum (per troy oz) | $421.00 | -4.00 |
| Palladium (per troy oz) | $92.90 | |
| Aluminium (free market) | $1530 | -50 |
| Copper (US Producer) | 117c | |
| Lead (US Producer) | 50c | |
| Nickel (free market) | 380c | -1 |
| Tin (Kuala Lumpur market) | 15.19r | +0.04 |
| Tin (New York) | 298c | |
| Zinc (US Prime Western) | 70c | |
| Cattle (live weight)† | 104.90p | |
| Sheep (dead weight)† | 142.44p | |
| Pigs (live weight)† | 75.18p | |
| London daily sugar (raw) | $247.4w | -1.2 |
| London daily sugar (white) | $304.0w | -1.5 |
| Tate and Lyle export price | £234.5 | -1.5 |
| Barley (English feed) | £123.5 | |
| Maize (US No. 3 yellow) | £163.25 | -0.25 |
| Wheat (US Dark Northern) | £93 | +2 |
| Rubber (Jan)♥ | 50.50p | |
| Rubber (Feb)♥ | 50.75p | |
| Rubber (KL RSS No 1 Jan) | 241.5m | +0.5 |
| Coconut oil (Philippines)§ | $315w | |
| Palm Oil (Malaysian)§ | $392.5 | |
| Copra (Philippines)§ | $239t | |
| Soyabeans (US) | £140 | -1 |
| Cotton "A" index | 82.65c | |
| Wooltops (64s Super) | 412p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

| SUGAR – London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| Mar | 216.20 | 213.00 | 217.20 | 213.00 |
| May | 218.80 | 216.00 | 218.00 | 215.00 |
| Aug | 222.20 | 218.80 | 218.00 | 218.00 |
| Oct | 221.80 | 218.60 | | |
| Dec | 222.00 | 218.80 | | |
| Mar | 224.00 | 221.00 | | |
| White | Close | Previous | High/Low | |
| Mar | 304.0 | 302.5 | 304.5 | 301.0 |
| May | 303.0 | 301.0 | 302.0 | 300.0 |
| Aug | 308.5 | 307.0 | 308.5 | 305.5 |
| Oct | 289.6 | 288.5 | 289.7 | 286.8 |

| COCOA – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Dec | 645 | 637 | 645 | 632 |
| Mar | 694 | 694 | 695 | 686 |
| May | 726 | 726 | 725 | 720 |
| Jul | 752 | 751 | 755 | 747 |
| Sep | 774 | 773 | 776 | 767 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jan | 27.27 | 26.58 | 27.65 | 26.80 |
| Feb | 26.76 | 26.16 | 26.95 | 26.30 |
| Mar | 25.95 | 25.39 | 26.12 | 25.65 |
| Apr | 25.15 | 24.67 | 25.35 | 24.95 |
| May | 24.42 | 24.08 | 24.80 | 24.30 |

### Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jan | 595/6 | 596/0 | 598/2 | 591/4 |
| Mar | 610/4 | 610/0 | 613/4 | 607/0 |

### New York

GOLD 100 troy oz.; $/troy oz.

## WORLD STOCK MARKETS

# Market braced for privatisation sale

THE EXTENDED three-week Christmas trading account made an uninspiring start yesterday, with investors concentrating on prospects for the first dealings today in the privatisation sale of Britain's regional electricity companies, and remaining cautious towards apparent signs of improvement in the Gulf situation.

The announcement of a heavy scaling-down in allocations to investors of shares in the 12 regional electricity companies, following the heavy over-subscription for the issues, seemed to set the stage for massive premiums – it could even be as much as 60 per cent, according to some dealers – when the new stocks start trading at 14:30 hours London time today. The market is extending its normal trading hours.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Nov 19 | Dec 10 | Dec 31 |
| Option Declarations: | | |
| Dec 6 | Dec 27 | Jan 10 |
| Last Dealings: | | |
| Dec 7 | Dec 28 | Jan 11 |
| Account Day: | | |
| Dec 17 | Jan 7 | Jan 21 |

*New-time dealings may take place from 8.30 am two business days earlier.

The shadow of today's activity in the electricity stocks, which dealers expect to outstrip that of all previous privatisation sales, fell across the water sector, prompting significant reassessment of the yield ratings in the light of prospective ratings on the electricity issues.

However, interest in the broad range of equities was restrained yesterday. Leading UK investment houses continued to react nervously to Friday's disclosure that unemployment in the US had risen to the highest level for three years and the London stock market, having moved narrowly all day, followed New York closely in its final hour of trading. The final reading showed the FT-SE index at 2,182.5, a dip of 0.9 on the session; the change in the index was virtually meaningless in view of a heavy list of ex-dividend price adjustments which implied a 3.56 points loss on the Footsie.

Allowing for the increased activity in water stocks, Seaq turnover was unimpressive yesterday at 317m shares, compared with Friday's 521.3m which took in busy trading in the market's beta or second level stocks.

Mindful of Friday's signal from the Bank of England that bank base rates are not to be cut in the immediate future, investors kept their eyes on signs of recessionary pressures on UK industry. Barclays de Zoete Wedd warned clients not to overlook warning signals on the corporate sector's finances, but also urged them "not to overdo the pessimism". It added that the domestic inflation threat is diminishing.

This week brings a heavy list of data on the British economy, culminating on Friday when the retail price index (RPI) for November is due. The City of London expects the November RPI number to show the long-awaited fall in the annualised inflation rate, hopefully to below the 10 per cent mark.

The corporate scene was fairly quiet yesterday. The £880m purchase of British Sugar from Berisford International by Associated British Foods, the UK's largest milling and baking group, had been well signposted in the market. There was a mixed reception for interim figures from Scottish & Newcastle, the UK brewer, in spite of higher profits and dividend payout.

In the banking sector, Midland shares eased slightly following renewed reports that the long-awaited merger of the British clearing house with Hongkong and Shanghai Banking, which holds 14.9 per cent of the Midland equity, is now unlikely to proceed. If the collapse of the possible merger is confirmed, Midland is expected to become a target for a takeover move from another source, either British or European.

### FINANCIAL TIMES STOCK INDICES

| | Dec 10 | Dec 7 | Dec 6 | Dec 5 | Dec 4 | Year Ago | 1990 High | 1990 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 83.29 | 83.28 | 83.04 | 82.88 | 82.58 | 83.82 | 84.20 (2/1) | 74.13 (30/4) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 90.69 | 90.64 | 90.53 | 90.37 | 90.13 | 92.13 | 92.91 (8/1) | 83.80 (30/4) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1721.6 | 1723.8 | 1717.9 | 1689.6 | 1681.6 | 1851.8 | 1968.3 (3/1) | 1510.4 (24/9) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 148.4 | 150.4 | 151.0 | 154.3 | 152.3 | 312.8 | 378.5 (6/2) | 148.4 (10/12) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2182.5 | 2183.4 | 2177.5 | 2152.6 | 2146.3 | 2351.4 | 2463.7 (3/1) | 1990.2 (28/9) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| FT-SE Eurotrack 100 | 992.09 | 1002.10 | 1003.35 | 978.48 | 987.76◆ | - | 1003.35 (6/12) | 948.31 (27/11) | 1003.35 (6/12/90) | 948.31 (27/11/90) |
| Ord. Div. Yield | 5.60 | 5.61 | 5.63 | 5.69 | 5.72 | 4.59 | | | | |
| Earning Yld %(full) | 11.69 | 11.71 | 11.74 | 11.89 | 11.97 | 11.19 | | | | |
| P/E Ratio(Net)(☆) | 10.34 | 10.31 | 10.29 | 10.16 | 10.09 | 10.82 | | | | |
| SEAQ Bargns 4.45pm | 18,561 | 27,372 | 24,560 | 19,728 | 22,457 | 23,426 | | | | |
| Equity Turnover(£m)† | - | 926.78 | 1053.15 | 1002.25 | 865.60 | 622.26 | | | | |
| Equity Bargains† | - | 27,269 | 23,041 | 17,929 | 21,029 | 24,508 | | | | |
| Shares Traded (ml)† | - | 461.6 | 455.0 | 436.2 | 414.0 | 294.5 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 10.17 ◆Recalculated

Ordinary Share Index, Hourly changes — Day's High 1730.8 — Day's Low 1718.9

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1720.2 | 1730.1 | 1727.6 | 1725.1 | 1723.1 | 1722.7 | 1723.0 | 1721.8 | 1721.0 |

FT-SE, Hourly changes — Day's High 2192.9 — Day's Low 2178.5

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2180.0 | 2192.4 | 2189.6 | 2186.2 | 2184.8 | 2184.8 | 2184.6 | 2181.7 | 2181.5 |

FT-SE Eurotrack 100, hourly changes — Day's High 1000.22 — Day's Low 991.69

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 996.68 | 999.24 | 997.89 | 997.22 | 996.20 | 993.97 | 991.66 |

### GILT EDGED ACTIVITY

| Indices* | Dec 7 | Dec 6 |
|---|---|---|
| Gilt Edged Bargains | 109.5 | 121.2 |
| 5-Day average | 110.7 | 118.7 |

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

# Electricity charges Water

GROWING expectations of a market success for the 12 regional electricity distribution companies (discos), in which trading commences today, led to a strong performance from the water issues.

Specialists in utility stocks said the likely upward pressure on electricity shares implied lower yields, which would highlight the returns available on water shares. Also driving water stocks higher yesterday was a series of substantial deals in the sector, to a total value of some £25m.

Smith New Court, the securities house, confirmed that it had undertaken a big switch order in the sector but declined to give details.

Dealers said Smith had bought around 6,000 Water Package units from an institutional client, who then reinvested the proceeds, also for the institution, in Anglian Water and Yorkshire Water. The switch is the second major deal carried out by Smith in the utilities sector in two weeks; last week Smith placed a 6.7 per cent stake in Welsh Water.

Yorkshire, on turnover of 2.8m, advanced 12 to 285p and Anglian, where 4.6m were traded, put on 7 to 286p, while Severn Trent, in which French group Compagnie Generale des Eaux revealed it has a 3.47 per cent shareholding, added 10 at 246p. The Water Package touched £2700, before easing back to close a net £70 higher at £2693.

### Sweet on ABF

Associated British Foods rose by 6 per cent after the acquisition of British Sugar, the third largest sugar producer in Europe, from Berisford International.

At £880m, A.B. Foods paid less than many analysts had anticipated. "This is an excellent deal. It is not overpriced and will be earnings enhancing in 1992," said Mr Terry Sissons of Panmure Gordon.

The market welcomed A.B. Foods' reduction of its cash mountain at a time when UK interest rates are expected to fall. British Sugar is likely to generate earnings of 5 to 10 per cent, which is likely to give A.B. Foods' shares a further boost.

Analysts said they would raise their 1992 earnings per share estimates by about 2p to 51p, while profits that year are expected to be about £30m higher at £350m.

A.B. Foods closed up 23 at 420p, while Berisford fell 6½ to 22p as the market reacted negatively to the further provisions which it made against its New York and UK property assets. Tate & Lyle, which had also expressed an interest in British Sugar, finished at 279p ex-dividend, up 7½.

### Mixed views

Scottish & Newcastle led the brewing sector higher in spite of mixed assessments from analysts and traders of interim results from the company. Profits were below the middle of the range of analysts' forecasts at £114.5m, up 31 per cent. The dividend was 14 per cent higher.

Analysts trimmed their forecasts for the full year, Kleinwort Benson by £4½m to £217.5m and Smith New Court by £6m to £218m. They blamed the economic slowdown and the company's property activities, adding that the brewing sector has outperformed the market for some months.

Mr Graham Eadie at County NatWest spoke for many when he warned investors to take care. Ex-property, the stock was at a premium to the market, he said, unlike the other brewing majors. Scottish would be vulnerable to profit-taking next year.

Traders said the boost to the shares came from the company's statement that "current trading is holding up well throughout the group despite the recession. "We remain confident of further progress in the months ahead." S & N stock climbed 8 at one point before closing 3 higher on the day at 370p. Turnover was a solid 1.1m.

### Cloud over Airways

Figures announced yesterday showing low growth in air traffic cast a cloud over airline-related stocks. British Airways declined 6 to 151p in active trading, following a solid rise last week triggered by the brighter outlook for a peaceful settlement of the Gulf crisis and lower crude oil prices.

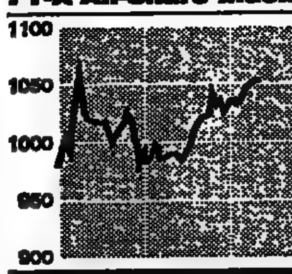
Analysts said that while the slow rate of growth in airline traffic reported for November was not significantly worse than expected, the figures were depressing since they were the lowest seen so far this year. The slowdown in air traffic reflected the weakness in global economies and indicated to the market that "we can not expect the heady double-digit growth rates we saw earlier this year", commented Mr Peter Bergius at Kleinwort Benson.

A spate of stories in the weekend press that the long-mooted merger of Midland Bank and Hongkong and Shanghai Banking could well be called off this week failed to cause any substantial damage to the Midland share price. The latter closed only a penny softer at 204p with turnover coming out at a lower than usual 1.9m shares.

Dealers said they were not entirely convinced that Hongkong Banking will walk away from a Midland deal and sell its 14.9 per cent shareholding. The standstill agreement between the two banks preventing Hongkong Banking from increasing its stake expires on December 22.

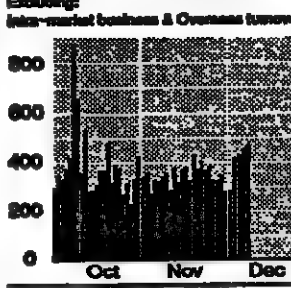
Other banks drifted back in quiet trade. TSB, in the wake of suggestions it could well be looking at a potential deal with Midland, lost 3 to 137p.

**FT-A All-Share Index**




**Equity Shares Traded**

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover




Market concern about the possibility of a flurry of claims relating to damage caused by the icy weather over the weekend was not translated into any weight of selling of insurance issues.

Internationals had a good day, with marketmakers attributing this to a shortage of stock rather than sterling's weakness against most currencies other than the dollar. Among the best performers, BOC and BTR each rose 9 to 519p and 340p respectively, ICI climbed 14 to 917p, Glaxo added 17 at 866p and Wellcome ended 11 higher at 438p.

Brewers, in the middle of their results season, had a mixed day in response to results from Scottish & Newcastle. Bass, which revealed figures last week, put on 5½ to 1029p ex-dividend, while Allied Lyons firmed 3½ to 484p xd.

Second liners going ex-dividend were also steady.

Concern over the level of debt at WPP, the world's biggest advertising group, was exacerbated yesterday by adverse trade press comment. The shares dropped a further 21 to 66p, less than one tenth of their value in the first quarter of this year.

USM-quoted media buyer TMD Advertising firmed 3 to 216p after posting a 36 per cent improvement in full year profits to £3m.

Ladbroke continued to suffer from several brokers' downgradings made at the start of the month. The shares lost 5 to 262p as a good 2.4m changed hands.

Carlton Communications were traded briskly ahead of figures due tomorrow. The stock put on 5 to 361p as 1.3m shares changed hands.

The onset of bad weather in the UK brought a swift response from the oils sector, where Calor shares, which have suffered from recent mild winters, ran up 7 to 248p; turnover, at 2m, was way ahead of usual levels. British Gas, also boosted by the bad weather, improved 2 to 239½p but turnover was a relatively thin 6m.

Premier Consolidated shares, which were said to have figured prominently in last week's heavy programme trades activity, were under pressure throughout the session and closed 2 off at 62p. In the leaders, BP dipped 3½ to 327½p in thin trading of 3.1m shares, while Shell eased 2 to 449p on 2.1m.

Rechem Environmental Services moved ahead when moderate demand found marketmakers short of stock. Sentiment benefited from better than expected figures last week from competitor Shanks & McEwan, and thoughts that both companies could follow the example set by Attwoods, another environmental stock, and some time in the future split their shares. Rechem closed 27 stronger at 553p.

The downward pressures on Avon Rubber were less evident and this gave the shares a chance to recover 11 to 237p. Traders thought some buying orders were probably speculative and that the market was oversold. Commenting last week after Avon's depressing annual results, Hoare Govett said that although the returns from a fundamental shift in the balance of group activities have been slowed by economic conditions, the creation of an international polymer business will bear fruit.

Creighton Naturally, manufacturers of natural toiletries, revealed an impressive mid-term recovery and the shares bounded ahead 15 to 135p. Profits were more than quadrupled and the chairman forecast that the year would be "one of continued recovery for the company". In sharp contrast was the news from Whitecroft, the property to textiles group. Interim profits were more than halved at £3.58m and the share price retreated 5 to 176p.

Aerospace issues were depressed by news of slow air traffic growth in November. British Aerospace declined 7 to 544p while Rolls-Royce lost 2 to 160p. The sector was not helped by an article in a US paper on Saturday which quoted a Boeing official as saying that business was slowing down and potential new orders might fall.

Westland, however, was lifted by speculation that it might receive a £1bn helicopter order from Saudi Arabia and further talk that GKN is looking to sell its stake in the company. Westland closed with a gain of 9 at 114p.

Although talk of a Saudi helicopter order for Westland has been heard before, the strong indication coming from Prince Bandar bin Sultan, the Saudi ambassador to the US, and reported in a Sunday paper, that such an order was on its way, and the obvious need for helicopters in the Gulf crisis, added some credence to the story, said Mr Sandy Morris at County NatWest. Analysts were divided, however, on whether or not GKN was likely to sell its stake in Westland. While some securities houses expressed scepticism, County's view was that a sale made sense in the light of the considerable opportunities GKN had in its other businesses, such as auto components and industrial services. GKN, which has risen recently on speculation that it might sell its stake, was little affected yesterday and lost a penny to 339p.

The reported 18 per cent drop in UK car sales cast a shadow over motor shares. Inchcape lost 7 to 239p, even though Toyota cars, for which it owns the UK franchise, have outperformed the market. Inchcape's share price has been hurt through a "serious misunderstanding", said Mr Rob Golding at Warburg. Toyota is selling as many cars this year as last, he pointed out.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

### TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | | | | | |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

### NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (84).
BRITISH FUNDS (17) BANKS (1) BUILDINGS (3) ELECTRICALS (3) INDUSTRIALS (6) Airsprung Furniture, Betterware Cons. Prods., Spring Ram, INSURANCE (2) PAPERS (1) TRUSTS (15) WATER (9) OILS (1) MINES (1).
NEW LOWS (110).
AMERICANS (2) BANKS (3) BREWERS (1) BUILDINGS (6) STORES (8) ELECTRICALS (6) ENGINEERING (3) FOODS (1) INDUSTRIALS (15) Amber Inds., Amer. Bus. Systems, Bridport-Gundry, Cosalt, Crests, Dean & Bowes, Faber Priest, Hadleigh Inds., J. S. Pathology, Marling Inds., Polymark Red "A", Stocklake, Whitecroft, Wilkins Cnv. Pl., Worthington (A. J.), LEISURE (3) NEWSPAPERS (3) PAPERS (11) PROPERTY (6) TEXTILES (3) TRANSPORT (1) TRUSTS (16) OILS (7) MINES (16) THIRD MARKET (3).

## LONDON STOCK EXCHANGE

### BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### BRITISH FUNDS—Contd

Index-Linked

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### INT. BANK AND O'SEAS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### CORPORATION LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### COMMONWEALTH & AFRICAN LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### LOANS

Building Societies

Public Board and Ind.

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### FOREIGN BONDS & RAILS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Div % | Red. Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### AMERICANS

| 1990 High | 1990 Low | Stock | Price | + or – | Div Gross | Cvr | Yld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### AMERICANS—Contd

| 1990 High | 1990 Low | Stock | Price | + or – | Div Gross | Cvr | Yld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### CANADIANS

| 1990 High | 1990 Low | Stock | Price | + or – | Div Gross | Cvr | Yld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

Continued on next page

## APPOINTMENTS

# Changes at Woolwich Building Society

WOOLWICH BUILDING SOCIETY is restructuring its top management from January 1. The new group organisation will be headed by Mr Donald Kirkham *(pictured)* as group chief executive.

He was chief executive. Mr Peter Robinson, currently operations director, becomes managing director, UK retail operations, a new division responsible for the core business operations. Mr Michael Tuke, finance director, becomes group services director, and is succeeded as finance director by Mr Brian Rogles, who also joins the main board. He was general manager (finance).

■ UNIT GROUP, timber pallet maker, has appointed Mr T.C.D. Hatfield as group finance director. He joined the group last March from Touche Ross & Co as pallet division finance director. Mr Stuart Russell and Mr Aubrey Taylor have resigned from the main board and have been appointed to the pallet division board. Mr Frank Heys has resigned to pursue other interests.

■ Mr John Bishop, formerly managing director of Sun Alliance UK, is to join EAGLE STAR, insurance subsidiary of BAT Industries, as one of two new deputy chief executives. Mr Bishop will have worldwide responsibility for general insurance. Mr Stephen Melcher, currently chief executive of Eagle Star's UK life division, has also been appointed a deputy chief executive.

■ Lloyd's broker WILLIS WRIGHTSON LONDON has made the following appointments from January 1: Mr Bob Guthrie becomes chairman and managing director; Mr David Hawkins and Mr John Murty are made joint deputy managing directors; and Mr Richard Bull becomes secretary to the board in addition to his post as administration director.

■ Cardiff North Conservative MP, Mr Gwilym Jones, has been appointed as an adviser to railway engineers POWELL DUFFRYN STANDARD, a company in his constituency. He will advise on European railfreight strategy, and on parliamentary communications.

DISCOUNT BANK AND TRUST COMPANY, Geneva, has appointed Mr Paul Gottlieb *(pictured)* as managing director of its London branch. He has been chairman and managing director of Greyhound Bank, and a director corporate planning of Girobank.

■ J.H. MINET & CO has appointed Mr Filippo Guerrini-Maraldi as divisional director, fine arts and jewellery.

■ EATON, Hounslow, has appointed Mr Edward R. Cromling as accounting director, succeeding Mr H.K. Culham who has retired. Mr Cromling will be responsible for co-ordinating the accounting of Eaton Corporation's European operations. The parent company is based in Cleveland, Ohio.

■ WATSON & PHILIP has appointed Mr A.E.M. Fyfe as finance director of W. & P. Retail Stores, and W. & P. Retail Services. He is finance director of W. & P. Catering Services, and this appointment *extends his responsibilities* as finance director of all operating subsidiaries of W. & P. Food Distributors.

■ Mr Michael A. Pelham has been appointed vice chairman of BRIDGEWATER PAPER COMPANY, retaining his post as managing director of Bridgewater Newsprint.

■ RHM INGREDIENTS has appointed Mr John McPherson Lawson as financial director, succeeding Mr John Firth who has retired. Mr Lawson was financial director at RHM Foods.

■ DARTINGTON & CO, a Bristol-based merchant bank, has been appointed Mrs Jennifer Bentley as group financial controller. Mr George Monck becomes marketing manager.

■ LEVERCREST has appointed Mr Michael Glass as finance director. He was with Hoare Govett.

هكذا من الأصل

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

## BANKS, HP & LEASING

| 1990 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £13¼ | £9 | ABN Amro F15 | 69½ | ..... | Q28% | 2.1 | 8.8 | 5.3 |
| 303 | 134 | ANZ SA1 | 134 | −9 | Q38c | ♦ | 11.3 | ♦ |
| 233 | 172 | Abbey National 10p | 231 | ..... | 5.7 | 4.3 | 3.3 | 9.4 |
| *274 | 128 | Allied Irish Ord | 151 | +2 | †Q40% | 3.3 | 5.9 | 6.8 |
| 85 | 47 | Anglo Irish | 57 | +2 | Q17.9% | ♦ | 7.0 | ♦ |
| 93 | 61 | Ansbacher (H.) 1p | 61 | −1 | 2.5 | 1.3 | 5.5 | 17.6 |
| £71¼ | £32 | Bancaire Cie Fr100 | 648 | −½ | Q12½% | − | 2.7 | − |
| £22¼ | £12¾ | Banco Bilbao Viz | £13¾ | −⅛ | Q9.1% | 2.7 | 5.8 | 9.5 |
| £58 | £25¼ | Banco de Santander | £26¼ | +¼ | Q24.7% | 2.5 | 3.8 | 10.4 |
| 286 | 130 | Bank Ireland IrE1 | 135 | +4 | Q14.7% | 2.9 | 8.5 | 5.4 |
| £19½ | £18 | Bank Leumi | £19½ | ..... | − | − | − | − |
| 351 | 320 | Bank Leumi (U.K.) | 350 | ..... | †15.0 | − | 5.7 | − |
| 129½ | 100 | Bank Scotland | 116 | ..... | †4.55 | 3.4 | 5.2 | 7.4 |
| 101 | 83¼ | Do. 9¼pc Irrd Pf | 101 | +1 | 9¼% | − | 12.2 | − |
| 54 | 39 | Bank of Wales | 42 | ..... | 2.8 | 0.8 | 8.9 | (28.2) |
| 428 | 290 | Barclays £1 | 383 | −7 | †h19.57 | 3.5 | 6.8 | 5.3 |
| 22 | 10 | Benchmark 20p | 11 | +1 | 0.75 | − | 9.1 | − |
| 335 | 215 | Brown Shipley £1 | 215 | −3 | ‡12.0 | 2.2 | ‡ | 6.9 |
| *435 | 285 | Cater Allen £1 | 383 | ..... | F24.5 | − | 8.5 | − |
| 179 | 29 | Chancery | 44 | ..... | ‡9.0 | 2.7 | ‡ | 1.8 |
| £23¾ | £14 | Commerzbk DM10 | £17¾ | +¼ | Q18% | − | 3.6 | − |
| £13¼ | 620 | Dai Ichi KBk Y50 | 725 | −29 | Q17% | 6.2 | 0.5 | 34.2 |
| £313 | £191 | Deutsche Bk DM50 | £222 | +2 | Q28% | − | 2.1 | − |
| £20¾ | £14½ | Espirito Santo | £16¼ | −⅛ | Q75c | 5.1 | 2.3 | 8.4 |
| 253 | 166 | First Nat. Fin. 10p | 188 | −1 | 13.0 | 2.1 | 9.2 | 6.5 |
| 121 | 82 | FNFC 6.3pc Cv. Pf | 96 | −1 | 6.3% | − | 8.7 | − |
| £13¼ | 633 | Fuji Bank Y50 | 842 | ..... | †Q17% | 6.9 | 0.4 | 35.8 |
| 325 | 262 | Gerrard & National | 313 | +1 | 19.0 | − | 8.1 | − |
| 154 | 78 | Guinness Mahon 10p | 78 | −½ | 1.45 | ♦ | 2.5 | ♦ |
| 328 | 194 | Hambros 20p | 238 | ..... | †11.5 | − | 6.4 | − |
| 128 | 88 | Do. 7.5pc Cv Pf | 99 | ..... | 7½% | − | 10.1 | − |
| 53½ | 29 | HK & Shang. HK$2.50 | 32 | −½ | †hQ38c | − | 8.0 | − |
| 478 | 373 | Joseph (Leo) £1 | 378 | ..... | 15.85 | − | 5.6 | − |
| 150 | 105 | King & Shaxson 20p | 125 | −1 | 10.25 | − | 10.9 | − |

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS — Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS — Contd

## ENGINEERING

## ENGINEERING — Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) — Contd

## INDUSTRIALS (Miscel.) — Contd.

## INSURANCES

## LEISURE

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

## MOTORS, AIRCRAFT TRADES – Contd

### Components

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 458 | 420 | Abbey Panels | | 453 | ...... | 3.5 | 10.8 | 1.0 | 12.0 |
| 225 | 135 | Airflow Streamlines | y | 140 | ...... | 6.0 | 3.0 | 5.7 | 7.8 |
| 190 | 145 | Bostrom 5p | y | 147 | –5 | †5.75 | 3.1 | 5.2 | 6.7 |
| 266 | 160 | Dowty 50p | β | 171 | –1 | 9.0 | 2.3 | 7.0 | 8.2 |
| 299 | 115 | FR Group | β | 115 | ...... | 6.37 | 3.1 | 7.4 | 5.9 |
| 135 | 55 | Kwik-Fit Hldgs. 10p | β | 80 | +2 | †2.4 | 2.3 | 4.0 | 14.8 |
| 174 | 102 | Lucas Inds. | α | 137 | –4 | 7.0 | 2.5 | 6.8 | 6.7 |
| 44 | 14 | Do. Warrants | β | 22½ | –1 | – | – | – | – |
| 80 | 55 | Mid-States 10p | y | 55 | ...... | s20.75 | – | 1.8 | 46.1 |

### Garages and Distributors

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 28 | 15 | Alexanders 10p | y | 16 | +1 | 1.0 | 3.0 | 8.3 | 4.8 |
| 135 | 78 | Appleyard 10p | β | 88 | –1 | †7.8 | 2.4 | 11.8 | 4.1 |
| 110 | 55 | [illegible] Motor 20p | y | 60 | –5 | †7.5 | 1.9 | 16.7 | 4.3 |
| 568 | 398 | Caffyns 50p | β | 403xd | +3 | 11.5 | 1.0 | 3.8 | (36.7) |
| 121 | 91 | Central Motor Auctns. | y | 91 | ...... | †3.25 | 3.2 | 4.8 | 8.7 |
| 61 | 23 | Cook (D.C.) Hldgs. | y | 23 | ...... | 1.0 | 5.3 | 5.8 | 4.3 |
| 89 | 33 | Cowie (T.) 5p | β | 50 | +1 | 4.2 | 1.5 | 11.2 | 6.9 |
| 95 | 56 | Dagenham Motors 10p | y | 78 | ...... | †5.25 | 2.8 | 9.0 | 5.4 |
| 98 | 75 | Davenport Vernon 10p | y | 78 | ...... | 3.5 | 3.6 | 6.0 | 5.4 |
| 247 | 163 | Evans Halshaw | β | 184 | ...... | 11.25 | 2.4 | 8.1 | 6.8 |
| 113 | 68 | Gates (F.G.) | β | 76 | ...... | 2.75 | 1.9 | 4.8 | 14.3 |
| 161 | 25 | Gowrings 10p | y | 33 | ...... | 5.65 | 1.0 | 22.7 | 5.7 |
| 81 | 44 | Jacks Wm. | y | 44 | ...... | †2.0 | 1.0 | ‡ | 21.6 |
| 118 | 46 | Jessups | y | 49 | ...... | 7.0 | 1.0 | 19.0 | 7.1 |
| 297 | 162 | Lex Service | β | 185 | ...... | 15.3 | 1.9 | 11.0 | 6.5 |
| 147 | 50 | Lookers | y | 74 | +1 | 6.2 | 3.9 | 11.2 | 3.0 |
| 43 | 21 | Malaga Group 10p | y | 25 | ...... | 2.0 | ♦ | 10.7 | ♦ |
| 139 | 85 | Pendragon | y | 92 | ...... | 21.8 | – | 2.6 | 5.9 |
| 178 | 99 | Perry Group | β | 100 | ...... | 9.0 | 1.4 | 12.0 | 7.4 |
| 133 | 51 | Quicks Group 10p | y | 58 | ...... | 6.0 | 3.0 | 13.8 | 3.0 |
| 238 | 150 | [illegible] | y | 200 | ...... | – | – | – | 14.0 |
| 26½ | 13½ | Trimoco 10p | β | 14½xd | +½ | 1.4 | 2.4 | 12.9 | 4.2 |
| £222 | £120 | Do. 11½pc Ln '96 | | £127 | ...... | Q11.5 | – | 9.1 | – |
| 86 | 68 | Vardy (Reg) 10p | y | 74 | ...... | 3.6 | 3.4 | 6.5 | 8.2 |

## NEWSPAPERS, PUBLISHERS

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 99 | 31 | Adscene | y | 31 | ...... | 4.0 | 1.2 | 17.2 | 6.7 |
| 273 | 183 | BPP Hldgs 10p | β | 203 | –5 | †5.25 | 2.6 | 3.4 | 14.9 |
| 190 | 129 | Barbour Index | y | 145 | +5 | 6.0 | 2.2 | 5.5 | 10.9 |
| 520 | 385 | Black (A. & C.) | y | 510 | ...... | 13.0 | 2.9 | 3.4 | 16.4 |
| 1020 | 650 | Blenheim Exhbts 5p | y | 653xd | –1 | 20.0 | ♦ | 4.1 | ♦ |
| 375 | 217 | Bristol Eve. Post | y | 220 | ...... | 11.5 | 1.8 | 7.0 | 10.6 |
| £61 | £35 | Daily Mail 'A' 50p | y | £38¼ | ...... | †100.0 | 4.1 | 3.5 | 7.5 |
| 257 | 187 | EMAP | β | 211xd | +1 | 16.5 | 2.7 | 4.1 | 11.8 |
| 383 | 323 | Euromoney Pubs. 1p | y | 340xd | +11 | 18.5 | ♦ | 7.3 | ♦ |
| *178 | 75 | EW Fact 5p | y | 100 | ...... | †3.5 | 1.9 | 4.7 | 10.9 |
| 195 | 123 | Gardner D.C. | y | 128 | ...... | 4.3 | 2.0 | 4.5 | 11.3 |

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY – Contd

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## INVESTMENT TRUST

[illegible]

## INVESTMENT TRUST – Contd

[illegible]

## INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS – Contd

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| [illegible] | £35½ | Do Ser "A" Dr Pfd $1 | y | £39½ | ...... | – | – | – | – |
| [illegible] | 18 | Do. Warrants | y | 18 | ...... | – | – | – | – |
| [illegible] | £24½ | Exxon‡ | | £25¼ | –¼ | Q$2.40 | – | 4.8 | – |
| [illegible] | 11¼ | Fairhaven Intl. 5c | y | 12¼ | ...... | Q0.1c | 10.0 | 0.4 | 21.5 |
| [illegible] | 12 | Firstland Oil 10p | y | 12 | ...... | – | – | – | – |
| [illegible] | 3¼ | Gaelic Resources | y | 4½ | +½ | – | – | – | – |
| [illegible] | 319 | Global Nat. Res. | | 320 | –10 | – | – | – | – |
| [illegible] | 85 | Goal Pet 5p | β | 86½ | –1½ | 1.0 | 0.6 | 1.5 | – |
| [illegible] | 155 | Gt. Western Res. A | y | 160 | –8 | Q5.5 | ♦ | 3.4 | ♦ |
| [illegible] | 8 | Gulfstream Res‡ | | 8½ | –½ | – | – | – | – |
| [illegible] | £15½ | Hamilton Oil Corp. | | £15⅞ | –1¼ | Q10c | – | 0.3 | – |
| [illegible] | 262 | Hardy Oil & Gas 50p | β | 182 | –1 | – | – | – | 17.6 |
| [illegible] | 82 | Intl Pet Crpn | | 82 | ...... | – | – | – | – |
| [illegible] | 3 | Kelt Energy 10p | β | 5 | ...... | – | – | – | – |
| [illegible] | 3 | Do. 6pc Cv. Prf. | y | 9 | ...... | 6% | – | – | – |
| [illegible] | 108 | Kelston Oil & Gas 50p | y | 116 | ...... | †Q1.11 | 4.5 | 0.5 | 19.6 |
| [illegible] | 360 | LASMO | α | 387 | –6 | †17.5 | 1.6 | 2.6 | 28.2 |
| [illegible] | 130 | Do. "Ops" 10p | β | 165 | ...... | 25.81 | – | 20.9 | – |
| [illegible] | 94 | Do. 9⅞pc Cnv Prf £1 | y | 97xd | +½ | 9.63% | – | 13.0 | – |
| [illegible] | 90 | Mid & Scot. Res. | y | 103 | ...... | – | – | – | – |
| [illegible] | £26¼ | Mobil Corp. $2 | | £29¼ | –½ | Q$2.90 | – | 5.0 | – |
| [illegible] | 31¼ | Monument Oil 5p | β | 42½ | –½ | – | – | – | 33.8 |
| [illegible] | 13½ | New London 5p | y | 14 | ...... | – | – | – | – |
| [illegible] | 21 | NZ Oil & Gas NZ$0.50 | | 21½ | –1 | – | – | – | – |
| [illegible] | £15 | Norsk Hydro Kr20 | | £16⅞ | –⅜ | Q20% | 2.0 | 2.2 | 23.2 |

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES – Contd

### Tins

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|---|
| 35 | 25 | Ayer Hitam SM1 | | 25 | ...... | Q51.3 | 0.7 | – |
| 75 | 45 | Gopeng Berhad M$0.50 | | 45 | ...... | Q11c | 2.6 | 4.6 |
| 67 | 27 | Malaysia Mng. 10c | | 31 | +1 | Q7c | 2.3 | 4.2 |
| 160 | 130 | Petaling SM1 | | 130 | ...... | Q180c | – | 26.0 |
| 90 | 90 | Tanjong Tin 15p | | 90 | ...... | – | – | – |

### Miscellaneous

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|---|
| 190 | 85 | Anglesey Mining 5p | y | 85 | ...... | – | – | – |
| 110 | 1¼ | Do. Warrants | y | 1¼ | –1 | – | – | – |
| 17 | 4½ | Anglo-Dominion | | 6¼ | ...... | – | – | – |
| 37 | 12 | Butte Mining 10p | y | 13 | +½ | – | – | – |
| 44 | 3½ | Colby Mines | | 6¼ | +1¼ | – | – | – |

[illegible]

## THIRD MARKET

[illegible]

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| [illegible] | 3½ | Murray Firth 2p | y | 3½ | ...... | – | – | – | – |
| 45 | 19 | Navan Resources | y | 19 | ...... | – | – | – | – |
| 57 | 20 | Ovoca Gold IR 2p | y | 21 | ...... | – | – | – | – |
| 72 | 15 | Oxford Virology 5p | y | 15 | –1 | – | – | – | – |
| 85 | 61 | Paddington 5p | | 77 | ...... | – | – | – | – |
| 118 | 65 | Ransom's Dlarry | y | 68 | +3 | 14.5 | 1.1 | 8.8 | 13.4 |

For Rentaminster see INDUSTRIALS

| 1990 High | Low | Stock | | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 38 | 5 | Sempernova | y | 5 | –1 | – | – | – | 3.1 |
| 38 | 13 | Sleepy Kids 5p | y | 13 | ...... | – | – | – | – |
| 3½ | 1¼ | Systems Connections | y | 1¼ | ...... | – | – | – | – |
| 94 | 46 | Tomorrow Leisure 20p | y | 53 | ...... | 1.0 | 4.4 | 2.5 | 9.6 |
| 58 | 27 | UPL Group 10p | y | 32 | ...... | – | – | – | – |
| 89 | 8 | Video Magic Lsk 1p | y | 8 | –5 | – | – | – | – |
| 6¼ | 2½ | Vista Ents 5p | y | 2½ | ...... | – | – | – | – |
| 5¼ | 1¼ | Wilton Group 1p | y | 1¼ | –¼ | – | – | – | 4.2 |

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discount (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | | Price | + or – |
|---|---|---|---|
| Craig & Rose £1 | y | 700 | ...... |
| Finlay Pkg. 5p | y | 36 | –2 |
| Holt (Jos) 25p | y | 1905 | ...... |

### IRISH

| Stock | | Price | + or – |
|---|---|---|---|
| Cap. 8½% Ln. 1992 | | £98¼ | ...... |
| 9pc Cap Ln. 1996 | | £94¼ | +⅛ |
| Fin. 13% 97/02 | | £111½ | ...... |
| Arnotts | | 160 | ...... |
| Carrol (P.J.) | | 154 | ...... |
| Helton Hldgs. | y | 40 | ...... |
| IRG | | 232½ | ...... |
| United Drug | | 140 | +5 |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 40 |
| Amstrad | 6 |
| Astec (BSR) | 4½ |
| BAT | 46 |
| BOC Grp. | 28 |
| BTR | 25 |
| Barclays | 30 |
| Blue Circle | 19 |
| Boots | 29 |
| Bowaters | 43 |
| Brit Aerospace | 45 |
| British Steel | 10½ |
| Brit. Telecom | 25 |
| Cadburys | 28 |
| Charter Cons. | 38 |
| Comm Union | 40 |
| Courtaulds | 28 |
| Eurotunnel | 35 |
| FKI | 5 |
| FNFC | 20 |
| Gen Accident | 41 |
| GEC | 15 |
| Glaxo | 68 |
| Grand Met | 51 |
| Guardian | 17 |
| GKN | 27 |
| Hanson | 16 |
| Hawker Sidd. | 35 |
| ICI | 70 |
| Ladbroke | 22 |
| Legal & Gen. | 32 |
| Lex Service | 17 |
| Lloyds Bank | 24 |
| Lucas Inds. | 11 |
| Marks & Spencer | 19 |
| Midland Bk. | 16 |
| Nat West Bk. | 21 |
| P & O Dfd. | 44 |
| Racal Elect | 16 |
| RHM | 23 |
| Rank Org Ord. | 52 |
| Reed Intnl | 32 |
| STC | 19 |
| Sears | 7½ |
| SmKl. Beecham A | 41 |
| TI | 35 |
| TSB | 11 |
| Tesco | 19 |
| Thorn EMI | 55 |
| Trust Houses | 23 |
| T&N | 13 |
| Unilever | 52 |
| Vickers | 16 |
| Wellcome | 33 |

| Property | |
|---|---|
| Brit Land | 24 |
| Control Secs. | 3½ |
| Land Securities | 45 |
| MEPC | 38 |
| Mountleigh | 9 |

| Oils | |
|---|---|
| Aviva Petm. | 3½ |
| Brit. Petroleum | 27 |
| Burmah Castrol | 46 |
| Conroy Petm. | 15 |
| Gaelic Res. | 1½ |
| Premier | 7 |
| Shell | 37 |
| Tuskar Res. | 2 |
| Ultramar | 29 |

| Mines | |
|---|---|
| Lonrho | 19 |
| RTZ | 48 |

# FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

## AUTHORISED UNIT TRUSTS

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** [illegible] This charge is included in the price of units.

**OFFER PRICE:** [illegible]

**BID PRICE:** [illegible]

**CANCELLATION PRICE:** [illegible]

**TIME:** [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

**HISTORIC PRICING:** [illegible]

**FORWARD PRICING:** [illegible]

**SCHEME PARTICULARS AND REPORTS:** [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ [illegible]

Centre Point,

[illegible]

Tel: 071 - [illegible]

# FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak. Inc VAT

## TSB Unit Trusts (1200)N

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| TSB American | 6 | 104.76 | 105.49 | 112.22 | -0.77 | 0.99 |
| Do Accum | 6 | 114.51 | 115.31 | 122.66 | -0.85 | 0.99 |
| TSB Brit Growth | 6 | 64.76 | 65.66 | 69.85 | +0.03 | 3.9 |
| Do Accum | 6 | 71.6 | 72.6 | 77.23 | +0.03 | 3.9 |
| TSB European | 6 | 67.77 | 67.77 | 72.09 | +0.41 | 1.24 |
| Do Accum | 6 | 70.23 | 70.23 | 74.71 | +0.44 | 1.24 |
| TSB Extra Income | 6 | 141.64 | 144.82 | 154.06 | +0.09 | 6.06 |
| Do Accum | 6 | 200.33 | 204.82 | 217.89 | +0.12 | 6.06 |
| TSB Smaller Cos | 6 | 37.85 | 39.58 | 42.1 | -0.01 | 3.34 |
| Do Accum | 6 | 39.67 | 41.5 | 44.14 | -0.01 | 3.34 |
| TSB General | 6 | 199.18 | 199.18 | 211.89 | -0.39 | 4.17 |
| Do Accum | 6 | 365.16 | 365.16 | 388.46 | -0.72 | 4.17 |
| TSB Premier Income | 5 | 41.66 | 42.29 | 44.05 | +0.1 | 9.37 |
| Do Accum | 5 | 73.25 | 74.37 | 77.46 | +0.18 | 9.37 |
| TSB Income | 6 | 263.46 | 268.68 | 285.82 | -0.89 | 5.65 |
| Do Accum | 6 | 499.8 | 499.49 | 531.37 | -0.16 | 5.65 |
| TSB Pacific | 6 | 190.13 | 190.13 | 202.26 | -2.1 | 0.49 |
| Do Accum | 6 | 197.83 | 197.83 | 210.45 | -2.14 | 0.49 |
| TSB International | 6 | 329.15 | 329.15 | 350.15 | -0.25 | 1.63 |
| Do Accum | 6 | 422.2 | 422.2 | 449.14 | -0.31 | 1.63 |
| TSB Nat Resources | 6 | 52.64 | 52.64 | 56.0 | -0.7 | 1.43 |
| Do Accum | 6 | 57.1 | 57.1 | 60.74 | -0.8 | 1.43 |
| TSB Global Opps | 6 | 70.05 | 70.94 | 75.46 | -0.86 | 3.89 |
| Do Accum | 6 | 83.6 | 84.66 | 90.06 | -1.03 | 3.89 |
| Environmental Inv | 6 | 40.7 | 41.05 | 43.66 | -0.26 | 2.73 |
| Do Accum | 6 | 41.63 | 41.99 | 44.66 | -0.27 | 2.73 |
| TSB Selector | 6 | 42.33 | 43.07 | 45.81 | +0.03 | 4.61 |
| Do Accum | 6 | 43.62 | 44.38 | 47.21 | +0.03 | 4.61 |
| TSB High Income | 6 | 45.69 | 46.31 | 49.26 | -0.06 | 6.39 |
| Do Accum | 6 | 45.69 | 46.31 | 49.26 | -0.04 | 6.39 |
| TSB Intl Income | 6 | 47.26 | 47.43 | 50.45 | +0.11 | 7.04 |
| Do Accum | 6 | 47.26 | 47.43 | 50.45 | +0.11 | 7.04 |
| TSB Selector Income | 6 | 45.21 | 45.73 | 48.64 | +0.04 | 6.78 |
| Do Accum | 6 | 45.21 | 45.73 | 48.64 | +0.04 | 6.78 |

## Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 372156

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| American Eagle | 5 | 60.37 | 60.37 | 64.40 | -0.41 | 1.20 |
| Australia | 5 | 5.235 | 5.235 | 5.605 | [illegible] | 4.76 |
| Equity | 5 | 145.7 | 145.7 | 156.5 | | 4.92 |
| Euro Spec Sits | 5 | 99.15 | 99.15 | 106.6 | +0.5 | 0.65 |
| Financial | 5 | 25.53 | 25.53 | 27.50 | -0.15 | 5.45 |
| Global Opps Inc | 5 | 57.18 | 57.18 | 61.39 | -0.10 | 0.00 |
| Global Opps Acc | 5 | 58.42 | 58.42 | 62.72 | -0.18 | 0.00 |
| Gold & Gen Inc | 5 | 33.74 | 33.74 | 36.40 | -0.27 | 1.10 |
| Gold & Gen Acc | 5 | 63.07 | 63.07 | 68.05 | -0.50 | 1.10 |
| Income | 5 | 88.72 | 88.72 | 95.50 | -0.85 | 6.70 |
| Japan & General | 5 | 110.6 | 110.6 | 118.9 | +0.4 | 0.00 |
| Preference Share | 5 | 17.70 | 17.70 | 19.04 | -0.03 | 11.73 |

## M & G Securities Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Charibond | 98.4 | 98.4 | — | 10.98 |
| (Accum Units) | 321.4 | 321.4 | — | 10.98 |
| NAAGIF Dec 5 | — | 59.7 | — | 00.12 |

## NIM Ltd

Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Intl Mngd P'Folio | 972.0 | 1069.0 | — | |
| Mngd Pens (Acc) | 57.8 | 61.6 | — | |

## Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Equity † Nov 30 | 112.8 | 120.0 | — | 3.78 |
| UK Small Co † Nov 30 | 432.4 | 475.9 | — | 2.25 |
| Fixed Interest † Nov 30 | 100.1 | 105.2 | — | 8.40 |
| US Small Co Nov 30 | 101.9 | 108.9 | — | 0.00 |
| Managed Nov 30 | 96.22 | 102.2 | — | 2.56 |
| Intl Bond Nov 30 | 105.8 | 111.5 | — | 8.10 |
| Japan Nov 30 | 60.21 | 64.46 | — | 0.99 |
| European Nov 30 | 78.75 | 84.09 | — | 1.74 |
| Nth American Nov 30 | 80.02 | 85.80 | — | 1.62 |

## Murray Johnstone UT Mngmt

Murray Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Amer Expt Dec 5 | 38.9 | 40.4 | — | 2.67 |
| Euro Expt Dec 5 | 47.2 | 49.5 | — | 2.49 |
| Fixed Int Ex Dec 5 | 43.6 | 44.7 | — | 10.78 |
| Japan Expt Dec 5 | 36.0 | 37.8 | — | 0.72 |
| Managed Ex Dec 6 | 58.1 | 59.6 | — | 5.05 |
| SE Asia Expt Dec 5 | 54.5 | 57.2 | — | 4.28 |
| Sm Cos Expt Dec 5 | 28.1 | 29.5 | — | 4.09 |
| UK Eqty Ex Dec 5 | 36.2 | 38.0 | — | 4.39 |

## Phillips & Drew Fund Management Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Small Co's Dec 5 | 592.63 | 624.6 | — | 5.78 |
| Do Accum | 659.2 | 705.8 | — | 3.78 |
| Intl Expt Dec 5 | 147.9 | 150.1 | — | 3.14 |
| UK Index Dec 5 | 999.0 | 1019 | — | 6.07 |
| Do Accum | 1056 | 1076 | — | 6.07 |
| Convertible Dec 7 | 81.08 | 83.09 | +2.47 | 8.73 |
| World ex UK Index Dec 3 | 639.4 | 648.0 | — | 3.27 |
| Do Accum | 639.4 | 648.0 | — | 3.27 |
| Japan Index Dec 3 | 492.6 | 499.9 | — | 0.48 |
| Do Accum | 493.5 | 500.7 | — | 0.48 |
| USA Index Dec 3 | 764.7 | 769.6 | — | 3.45 |
| Do Accum | 775.5 | 780.3 | — | 3.45 |
| Europe ex UK Index Dec 3 | 794.2 | 814.1 | — | 4.18 |
| Do Accum | 806.6 | 826.7 | — | 4.18 |
| Pacific ex Jap Index Dec 3 | 728.3 | 750.4 | — | 5.57 |
| Do Accum | 742.1 | 764.3 | — | 5.57 |
| Managed Exempt Dec 5 | 91.09 | 92.74 | — | 3.16 |

## INSURANCES

## Liberty Life Assurance Co Ltd

Station Rd, New Barnet. 081-440 8210

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Sel Sec A | 37.20 | 39.16 | — | — |
| Managed | 32.05 | 33.74 | — | — |
| Equity | 28.33 | 29.83 | — | — |
| Blue Chip | 43.23 | 45.51 | — | — |
| Special Sits | 29.76 | 31.33 | — | — |
| International | 36.38 | 38.30 | — | — |
| European Fund | 11.81 | 12.44 | — | — |
| American | 19.01 | 20.02 | — | — |
| Pacific | 33.01 | 34.75 | — | — |
| Property | 33.97 | 35.76 | — | — |

## Merchant Investors Assurance Co Ltd – Contd.

Trustlink Life Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| MI Baring Fd | | 99.4 | -0.1 | — |
| MI Bar American Gwth | | 95.5 | -1.4 | — |
| MI Bar Am Smllr Cos | | 104.4 | -1.6 | — |
| MI Bar Japan Growth | | 84.3 | +0.8 | — |
| MI Bar Jpn Smrtec | | 72.5 | +0.6 | — |
| MI Bar Eastern | | 112.4 | -0.7 | — |
| MI Bar UK Growth | | 82.5 | +0.1 | — |
| MI Bar UK Smllr Cos | | 63.9 | -0.1 | — |
| MI Bar Equity Income | | 104.9 | | — |

## OTHER UK UNIT TRUSTS

Continued on next page

# FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **N & P Life Assurance Ltd** | | | | |
| 6–7 Bedford Row, London, WC1R 4DJ 071-430 2348 | | | | |
| Life Managed Fd | 91.6 | 94.3 | -0.1 | – |
| Pension Managed Fd | 88.1 | 92.8 | -0.5 | – |
| Life Deposit Fd | 102.7 | 108.1 | +0.1 | – |
| Pension Deposit Fd | 105.9 | 111.5 | +0.1 | – |
| **National Financial Management Corp PLC** | | | | |
| 72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539 | | | | |
| Life Funds | | | | |
| Managed Cautionary | 99.0 | 104.3 | +0.3 | – |
| Managed Growth | 120.5 | 126.9 | +0.1 | – |
| Managed Opportunity | 116.0 | 122.2 | +0.7 | – |
| NFMC Target Financial | 89.7 | 94.5 | +1.6 | – |
| Pension Funds | | | | |
| Managed Cautionary | 104.5 | 110.1 | +0.2 | – |
| Managed Growth | 125.3 | 131.9 | +3.4 | – |
| Managed Opportunity | 118.7 | 125.0 | +3.7 | – |
| NFMC Target Mngt Pens | 1350.7 | 1421.8 | -1.3 | – |
| **National Mutual Life** | | | | |
| The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422 | | | | |
| Harvester Pension Funds | | | | |
| Managed | 140.7 | 148.2 | — | – |
| UK Equity | 146.3 | 154.1 | — | – |
| Overseas Equity | 111.9 | 117.8 | — | – |
| Fixed Interest | 132.8 | 139.8 | — | – |
| Property | 126.4 | 133.1 | — | – |
| Index Linked | 143.5 | 151.1 | — | – |
| Deposit | 146.9 | 154.7 | — | – |
| With Profits (B) | 123.5 | 130.1 | — | – |
| **National Provident Institution** | | | | |
| 48 Gracechurch St, London EC3P 3HH 071-623 4200 | | | | |
| Managed | 311.3 | 327.7 | (z) | – |
| UK Equity | 392.4 | 413.1 | (z) | – |
| Overseas Eq | 292.3 | 307.7 | (z) | – |
| **Property Equity & Life Ass. Co** | | | | |
| Baxter Ave, Southend SS2 6JH 0702 333499 | | | | |
| Int Man Pension Fd | 149.1 | 156.9 | — | – |
| Int Man Cncy Bd Fd | | 143.8 | — | – |
| Int Man Cncy Bd Fd(b) | | 130.4 | — | – |
| Flexible Prop. Bd. Fd | | 201.3 | — | – |
| Flexible Money Bd. Fd | | 365.5 | — | – |
| Special Man. Inc. Fd | | 134.0 | — | – |
| **Prosperity Life Assurance Ltd** | | | | |
| 1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555 | | | | |
| Initial Equity | 139.0 | 146.5 | — | – |
| Accum Equity | 195.0 | 206.0 | — | – |
| Accum Managed | 198.0 | 209.4 | — | – |
| Accum Five Star | 150.0 | 158.5 | — | – |
| Accum World | 108.0 | 114.0 | — | – |
| Accum Lifetime | 101.8 | 101.8 | — | – |
| Pens Acc Equity | 204.5 | 216.0 | — | – |
| Pens Acc Managed | 230.5 | 243.0 | — | – |
| Pens Acc Intl | 170.5 | 180.0 | — | – |
| Pens Acc Deposit | 187.0 | 197.5 | — | – |
| Pens Acc Five Star | 159.0 | 167.5 | — | – |
| **Providence Capital Life Assc. Co Ltd** | | | | |
| 2 Bartley Way, Hook, Hants RG27 9XA 0256 768888 | | | | |
| UK Equity Acc | 198.5 | 209.4 | +0.2 | – |
| UK Fixed Int Acc | 165.1 | 174.2 | +0.8 | – |
| Intl Equities Acc | 151.5 | 159.9 | — | – |
| UK Managed Acc | 157.6 | 166.2 | +0.9 | – |
| Property Acc | 235.4 | 248.4 | +0.1 | – |
| Money Acc | 123.5 | 130.3 | +0.2 | – |
| Special Market Acc | 118.8 | 125.4 | -0.3 | – |
| Japan Equity Acc | 91.5 | 96.4 | +1.3 | – |
| North American Acc | 82.8 | 87.4 | -0.5 | – |

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

# FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **M & G (Guernsey) Ltd** | | | | |
| Mand Global Fd | [illegible] | 912.81 | -0.9 | 0.04 |
| **Merrill Lynch Guernsey** | | | | |
| Basic NAV Dec 4 | $58.64 | | — | — |
| Paris Portfolio NAV | $9.64 | | — | — |
| **NM Financial Mgmt Intl Ltd** | | | | |
| **Nikko Capital Mgmt (Europe) Ltd** | | | | |
| Japan Index Fund | Y2,524 | 2,650 | — | — |
| New Generation Fd $ | $22.48 | 22.72 | — | — |
| Japan Index Alpha | Y7,634 | 7,748 | — | — |
| Jap Sector Rotation | Y6,399 | 6,489 | — | — |
| **Prudential Intl Financial Services Ltd** | | | | |
| Managed Sterling | 129.4 | 129.8 | — | 10.82 |
| Managed Dollar | $14.26 | 14.31 | +0.01 | 7.58 |
| Sterling Deposit | 100.0 | 100.0 | — | 10.37 |
| Dollar Deposit | $10.00 | 10.00 | — | — |
| DM Deposit | DM50.43 | 50.62 | — | 6.19 |
| SWFr Deposit | SF50.00 | 50.00 | — | — |
| J. Yen Deposit | Y5,035 | 5,054 | — | 5.31 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| **Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F** | | | | | | |
| PO Box 63, Bond Street, St Helier, Jersey 0534 76029 | | | | | | |
| Stg Fixed Int | 5½ | £1.124 | 1.124 | 1.193 | [illegible] | 9.74 |
| Global Equity Fund | 5½ | $13.61 | 13.71 | 14.66 | +0.04 | 1.31 |
| Far Eastern Eqty | 5½ | $8.892 | 8.986 | 9.611 | [illegible] | 1.43 |
| Sterling Managed | 5½ | £10.22 | 10.22 | 10.90 | +0.05 | 8.73 |
| US Dollar Managed | 5½ | $13.60 | 13.60 | 14.50 | +0.07 | 7.48 |
| **Lloyds Bank (CI) U/T Mgrs.** | | | | | | |
| PO Box 195, St Helier, Jersey 0534 27561 | | | | | | |
| **Midland Bank Fund Managers (Jersey) Ltd** | | | | | | |
| PO Box 26, St Helier, Jersey 0534 37788 | | | | | | |
| **MIM Britannia International (Jersey) Ltd** | | | | | | |
| PO Box 271, St Helier, Jersey 0534 73114 | | | | | | |
| **Royal Trust Jsy Fd Mngt Ltd (1400)F** | | | | | | |
| PO Box 428, St Helier, Jersey 0534 76077 | | | | | | |
| **TSB Trust Funds (CI)** | | | | | | |
| PO Box 538, St Helier, Jersey 0534 73494 | | | | | | |

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# D-Mark continues to advance

INTERVENTION by some European central banks failed to keep the strong D-Mark in check yesterday. Demand for the German currency was encouraged by news that the Bundesbank is to hold a news conference today. This is sometimes a sign of interest rate moves, but analysts generally believe the central bank will set its money supply target for next year today and leave any tightening of monetary policy until the new year.

An unchanged M3 money supply growth target of 4 to 6 per cent is expected, possibly accompanied by warnings to the Bonn government about excessive borrowing to finance German unity and to industry about the inflationary consequences of high wage settlements.

The Bank of Italy sold DM100m, $60m and Ecu90m when the D-Mark rose to a record high of L755.05 from L753.60 at the Milan fixing. Short-term Eurolira interest rates also had a firmer tone, as did Belgian franc rates after the Belgian National Bank increased its key three-month Treasury bill rate. This was the fifth rise in the rate since German interest rates started to move up in early November, and reflects Belgian policy of tying the franc to the D-Mark.

Market sources suggested that the Belgian central bank may have sold a moderate amount of dollars to support its currency and may have also sold D-Marks.

The D-Mark continued its rise towards the Spanish peseta at the top of the European Monetary System. This put increasing pressure on the weaker members of the EMS exchange rate mechanism, including the French franc. At the Paris fixing the D-Mark rose to FFr3.3980 from FFr3.3920, but dealers saw no sign of intervention by the Bank of France at the fixing or on the open market.

Sterling looked increasingly vulnerable at the bottom of the ERM. At the London close the pound had fallen to DM2.8625 from DM2.8875, taking it nearer to its floor against the D-Mark of about DM2.8250. Sterling declined to FFr9.7325 from FFr9.7875 and to SFr2.4550 from SFr2.4625, while losing 70 points to $1.9445, but rose to Y256.50 from Y255.75. Its exchange rate index shed 0.2 to 93.3. In New York the pound ended a shade lower at $1.9442.

The pound's position was not helped by figures on November UK retail sales. These fell 0.5 per cent, after declining 1.1 per cent in October, encouraging speculation about a cut in British interest rates at a time when many European rates are moving higher.

The dollar was generally weak, after Friday's easing of the Federal Reserve's monetary stance, but traded quietly. It touched a record low of DM1.4625 and closed in London at DM1.4725, against DM1.4795 previously. The dollar fell to FFr5.0050 from FFr5.0200, but held at SFr1.2625 and rose to Y131.85 from Y131.10. Its index lost 0.2 to 60.3.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Dec 10 | % Change from Central Rate | % Spread v Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 130.808 | −2.12 | 4.28 | 37 |
| D-Mark | 2.05586 | 2.04073 | −0.74 | 2.83 | 44 |
| Dutch Guilder | 2.31643 | 2.30198 | −0.62 | 2.71 | 35 |
| Belgian Franc | 42.4032 | 42.3009 | −0.24 | 2.32 | 9 |
| Irish Punt | 0.767417 | 0.766278 | −0.15 | 2.22 | 4 |
| Italian Lira | 1538.24 | 1540.84 | 0.17 | 1.90 | −11 |
| Danish Krone | 7.84195 | 7.86304 | 0.27 | 1.80 | −15 |
| French Franc | 6.89509 | 6.93360 | 0.56 | 1.51 | −33 |
| Sterling | 0.696904 | 0.711350 | 2.07 | 0.00 | −40 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Dec.10 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.9435-1.9445 | 1.9525-1.9535 |
| 1 month | 1.10-1.08pm | 0.95-0.94pm |
| 3 months | 2.76-2.73pm | 2.60-2.58pm |
| 12 months | 8.40-8.30pm | 7.90-7.85pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

### CURRENCY MOVEMENTS

### CURRENCY RATES

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| Iran | 124.80* | 63.50* |
| Korea(Sth) | 1386.10 - 1408.49 | 712.10 - 717.70 |
| Kuwait | N/A | N/A |
| Luxembourg | 59.25 - 59.35 | 30.45 - 30.55 |
| Malaysia | 5.2640 - 5.2770 | 2.6945 - 2.6965 |
| Mexico | 5735.00 - 5758.00 | 2941.00 - 2942.00 |
| N.Zealand | 3.2115 - 3.2145 | 1.6430 - 1.6450 |
| Saudi Ar | 7.3255 - 7.3670 | 3.7490 - 3.7510 |
| Singapore | 3.3370 - 3.3450 | 1.7080 - 1.7100 |
| S.Af (Cm) | 4.8850 - 4.8975 | 2.5040 - 2.5055 |
| S.Af (Fn) | 6.6790 - 6.7955 | 3.4245 - 3.4840 |
| Taiwan | 52.95 - 53.05 | 27.15 - 27.20 |
| U.A.E. | 7.1750 - 7.2155 | 3.6720 - 3.6740 |

* Selling rate

### POUND SPOT - FORWARD AGAINST THE POUND

| Dec 10 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.9440 - 1.9620 | 1.9440 - 1.9450 | 1.11-1.09cpm | 6.79 | 2.76-2.73pm | 5.65 |
| Canada | 2.2490 - 2.2665 | 2.2510 - 2.2520 | 0.44-0.36cpm | 2.13 | 0.89-0.75pm | 1.46 |
| Netherlands | 3.2195 - 3.2435 | 3.2225 - 3.2325 | [illegible] | [illegible] | [illegible] | [illegible] |

Commercial rates taken towards the end of London trading.

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

### EURO-CURRENCY INTEREST RATES

### EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

### BASE LENDING RATES

## MONEY MARKETS

# German rate fears

GERMAN INTEREST rates and the Bundesbank's monetary policy were at the centre of attention yesterday. Interest rate factors boosted the D-Mark in the European exchange rate mechanism, setting back hopes of an early cut in UK bank base rates, despite weak UK retail sales data.

The Bundesbank will hold a news conference today, and may announce its monetary targets for next year, but is not expected to tighten its monetary stance.

**UK clearing bank base lending rate 14 per cent from October 8, 1990**

Call money was unchanged at 8.45 per cent in Frankfurt yesterday, just below the Lombard emergency financing rate.

Tight conditions have not been discouraged by the German authorities and a rise in the Bundesbank's discount rate from 6 per cent, or possibly the announcement of a floating Lombard rate, can not be ruled out today, although an increase in official rates is more likely in the new year, according to dealers.

The Belgian franc moved back up towards the D-Mark in the ERM after losing ground on Friday. This followed yesterday's rise in the Belgian National Bank's rate on three-month Treasury bills - the main instrument of credit policy - by 0.20 per cent to 9.70 per cent. The rate on one-month bills was increased by 0.35 per cent to 9.70 per cent and on two-month paper by 0.30 per cent to 9.70 per cent.

In London three-month interbank was unchanged at 13-13⅞ per cent, while 12-month eased to 12¾-12⅝ from 12⅞-12¾ per cent.

Short sterling futures fell on Liffe. The December contract declined to 86.61 from 86.68 on fading hopes of a cut in base rates before delivery on December 19. March delivery also weakened.

The Bank of England initially forecast a money market credit shortage of £150m, but revised this to £200m in the afternoon. Help of £194m was provided. The authorities bought £74m bills, by way of £15m Treasury bills and £59m bank bills in band 1 at 13⅞ per cent. Late assistance of £120m was also provided.

Exchequer transactions drained £900m and bank balances below target £95m. These outweighed bills maturing outside official hands, repayment of late assistance and a take-up of Treasury bills adding a net £262m and a fall in the note circulation of £585m.

### FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.10) 3 months US dollars: bid 7¾ offer 7⅞ — 6 months US Dollars: bid 7⅞ offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

NEW YORK (4pm)

| | |
|---|---|
| Prime rate | 10 |
| Broker loan rate | 9¾ |
| Fed. funds | 7⅞ |
| Fed. funds at Intervention | – |

Treasury Bills and Bonds

| Dec.10 | Overnight | One Month | Two Months |
|---|---|---|---|
| Frankfurt | 8.40-8.50 | 9.00-9.15 | 9.00-9.15 |
| Paris | 9¾-9⅞ | 9¾-9⅞ | 9⅞-10 |
| Zurich | 7⅞-7⅞ | 8⅞-8⅞ | – |
| Amsterdam | 9.06-9.19 | 9.2-9.27 | – |
| Tokyo | 8¼-8¼ | 8¾-8⅞ | – |
| Milan | 11⅞-11⅞ | 13⅞-14 | – |
| Brussels | 6.70 | 9⅞-9⅞ | – |
| Dublin | 8¼-8½ | 10⅞-10⅞ | [illegible] |

### LONDON MONEY RATES

| Dec 10 | Overnight | 7 days notice |
|---|---|---|
| Interbank Offer | 14½ | 14½ |
| Interbank Bid | 13½ | 14¼ |
| Sterling CDs | – | – |
| Local Authority Deps. | 14⅛ | 14⅛ |
| Local Authority Bonds | – | – |
| Discount Mkt Deps. | 14⅛ | 14⅛ |
| Company Deposits | – | – |
| Finance House Deposits | – | – |
| Treasury Bills (Buy) | – | – |
| Bank Bills (Buy) | – | – |
| Fine Trade Bills (Buy) | – | – |
| Dollar CDs | – | – |
| SDR Linked Dep. Offer | – | – |
| SDR Linked Dep. Bid | – | – |
| ECU Linked Dep. Offer | – | – |
| ECU Linked Dep. Bid | – | – |

Treasury Bills (sell); one-month 13⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; Average tender rate of discount 12.6852 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 1, 1990. Agreed rates for period Dec 26, 1990 ... p.c., Schemes II & III: 14.87 p.c. Reference rate for period ... Scheme IV&V: 13.698 p.c. Local Authority and Finance House ... days' fixed. Finance Houses Base Rate 14 from December ... at seven days notice 4 per cent. Certificates of Tax Deposit ... held under one month 10½ per cent; one-three months 12 ... six-nine months 12 per cent; nine-twelve months 11½ ... from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

## COMPANY NOTICES

**GENCOR LIMITED** (Incorporated in the Republic of South Africa) Registration No. 01/01232/06

ANNUAL GENERAL MEETING

11 December 1990

**LEUMI INTERNATIONAL INVESTMENTS N.V.**

bank leumi

**THE ROYAL BANK OF CANADA** U.S. $300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the interest Period commencing on 12th December, 1990, the Notes will bear interest at the rate of 8⅝% per annum. The interest payable on 12th March, 1991 against Coupon No. 20 will be U.S. $20.15625 per U.S. $1,000 nominal.

Agent Bank

ROYAL BANK OF CANADA EUROPE LIMITED

## LEGAL NOTICES

ALLTRAYNE COURIERS LIMITED

Ms ANC COLCHESTER

Dated: 3 December 1990

INTERNATIONAL PARTICIPATION CORPORATION I.P.C.

Egertastrasse 15, 9490 VADUZ/ LIECHTENSTEIN

## CLUBS

# MONEY MARKET FUNDS

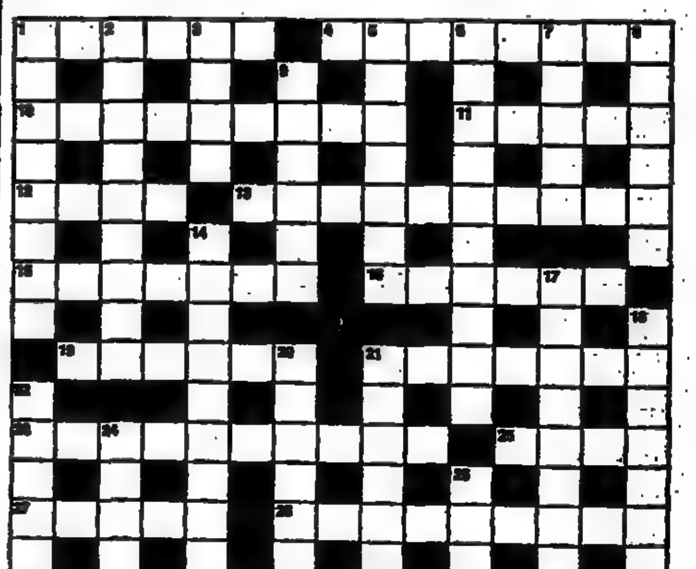
## Money Market Trust Funds

## Money Market Bank Accounts

JOTTER PAD

## CROSSWORD

No.7,416 Set by FETTLER



Across clues which lack definitions all have something in common with 1.

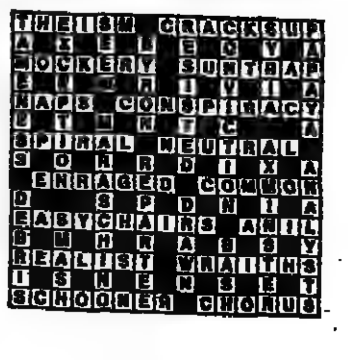
ACROSS

1 One with Guardian editor's leader (6)
4 One held so softly, being sickly flower (8)
10 One of the RA holds course for arms smuggler (3,6)
11 One composing, rigged endlessly (5)
12 One "real fantastic" (4)
13 One artfully injures bone I discarded (5-5)
15 One composing, as truss, supportively (7)
16, 23 One royal male up north (6,2,3,5)
19 One miner changing shift? To the contrary (6)
21 One, oddly, in the end is driven obliquely (3-4)
23 See 16
25 One of eight, so called (4)
27 One politically barren? (5)
28 One duke slightly shorter than another (9)
29 One *very* quiet in dismal surroundings (8)
30 One in plot – the French court official? (6)

DOWN

1 Eg horse (filly), runs for a short time (3,5)
2 Two genera – at odds? (4,5)
3 Grub found in crouton? (4)
5 Here's noisy chew – namely wild radish (7)
6 Turtleneck sweater flops nowadays (4,6)
7 Hear such as Hamlet condescend (5)
8 The French get to the main point, being skilled in law (6)
9 Makes certain runaway follows (6)
14 Having small cubic measurements, joint's suitable for clerk's office (10)
17 Being starved, I came up and ate last of food (9)
18 For example, in spirit, the church shows refinement (8)
20 – to the US dollar (7)
21 Tot kept dry in headgear ....(6)
22 ....that's around operation....(3-3)
24 ....being 'at with 'air disarranged (5)
26 Formerly in concert (4)

Solution to Puzzle No.7,415



# WORLD STOCK MARKETS

**AUSTRIA**

| December 10 | Sch | + or – |
|---|---|---|
| Austrian Airlines | 3,100 | +130 |
| Creditanstalt | 3,790 | +20 |
| Erste Allgemeine | 22,500 | +200 |
| Jungbunzlauer | 9,050 | +250 |
| Landerbank | 1,400 | — |
| OeMV | 9,200 | –50 |
| Perlmooser | 1,500 | –50 |
| Radex | 790 | –18 |
| Reininghaus | 1,825 | — |
| Steyr-Daimler | 169 | — |
| Veitscher Mag | 718 | –1 |
| Verbund (Br) A | 515 | — |
| Wienerberger | 5,460 | +120 |

**BELGIUM/LUXEMBOURG**

| December 10 | Frs. | + or – |
|---|---|---|
| ACEC-Union Min | 2,855 | +380 |
| Arbed | 3,290 | +125 |
| B.B.L. | 2,460 | — |
| Bank Intl. a Lux | 13,125 | — |
| Banque Gen. Du Lux | 13,000 | — |
| Barco | 1,250 | — |
| Bekaert | 7,960 | –30 |
| Ciment CBR | 5,980 | +50 |
| Cobepa | 4,950 | — |
| Do. AFV 1 | 4,930 | –20 |
| Cockerill | 149 | –2 |
| Colruyt | 2,705 | –30 |
| Delhaize | 5,910 | –50 |
| Electrabel | 4,695 | — |
| Do. AFV 1 | 4,365 | — |
| Electrafina | 6,200 | +50 |
| Fabrique Nat. | 55 | –10 |
| GIB Group | 1,114 | +8 |
| Do. AFV | 1,112 | +10 |
| GBL (Brux) | 3,545 | +25 |
| Do. AFV 1 | 3,415 | +30 |
| Gevaert | 684 | –6 |
| Do. AFV | 672 | +16 |
| Generale Bank | 4,295 | –45 |

**FRANCE (continued)**

| December 10 | Frs. | + or – |
|---|---|---|
| Beghin-Say | 680 | –3 |
| Do. Certs | 565 | +11 |
| Bongrain | 2,500 | –5 |
| Bouygues | 457.3 | –7.7 |
| CFAO | 381 | +5 |
| CGIP | 943 | — |
| CMB Packaging | 114 | –3.9 |
| Canal+ | 891 | –11 |
| Carrefour | 3,415 | –83 |
| Casino | 144 | +4 |
| Cetelem | 474 | –29 |
| Chargeurs | 765 | –19 |
| Ciments Fr. | 1,066 | –9 |
| Club Mediterranee | 483 | –10 |
| Coflexip | 378 | +8 |
| CGE | 570 | +2 |
| Coparex | 599 | +32 |
| CCF | 169 | +0.5 |
| Cred Foncier Fr | 930 | +15 |
| Cred Lyonn (CI) | 585 | –5 |
| Credit National | 1,039 | +4 |
| Darty | 2,240 | +90 |
| Docks de France | 3,880 | –120 |
| Dollfus-Mieg | 355 | –15 |
| Eaux (Cie Gen) | 2,284 | –4 |
| Ecco | 320 | –5 |
| Elf-Aquitaine | 310 | +3 |
| Do. Certs | 213 | –2 |
| Epeda-Bertrand | 920 | –8 |
| Essilor | 311 | +0.2 |
| Elex | 1,440 | –40 |
| Eurafrance | 1,437 | –31 |
| Eurocom | 684 | –16 |
| Euro Disneyland | 97.5 | –1.45 |
| Euromarche | 3,150 | –85 |
| Exor | 1,350 | +5 |
| Finextel | 142.1 | –1.9 |
| Fonciere Lyonn | 815 | –5 |
| Fromageries | 1,930 | +30 |
| GTM-Entrepose | 357 | +9 |
| Gaumont (Soc N) | 930 | –27 |
| Gen Geophysique | 182 | –18 |
| Gen.Occidentale | 624 | — |

## INDICES

**NEW YORK**

| DOW JONES | Dec. 10 | Dec. 7 | Dec. 6 | Dec. 5 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ‡Industrials | 2596.78 | 2590.10 | 2602.48 | 2610.40 | 2999.75 (16/7) | 2365.10 (11/10) | 2999.75 (16/7/90) | 41.22 (2/7/32) |
| Home Bonds | 91.06 | 90.92 | 90.87 | 90.87 | 93.04 (3/1) | 88.44 (24/9) | — | — |
| Transport | 909.67 | 909.67 | 913.79 | 903.67 | 1212.77 (6/6) | 821.93 (17/10) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 210.45 | 210.07 | 211.27 | 212.71 | 236.23 (2/1) | 190.96 (24/8) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 2609.41 (2618.07) Low 2566.58 (2571.78)

**STANDARD AND POOR'S**

| | Dec. 10 | Dec. 7 | Dec. 6 | Dec. 5 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 328.89 | 327.75 | 329.07 | 329.92 | 368.95 (16/7) | 295.46 (11/10) | 368.95 (16/7/90) | 4.40 (1/6/32) |
| Industrials | 384.88 | 383.70 | 384.86 | 385.33 | 437.37 (16/7) | 346.86 (11/10) | 437.37 (16/7/90) | 3.62 (21/6/32) |
| Financial | 23.55 | 23.41 | 23.09 | 24.27 | 31.87 (3/1) | 18.80 (29/10) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 179.58 | 179.87 | 179.71 | 180.11 | 201.13 (16/7) | 162.20 (11/10) | 201.13 (16/7/90) | 4.46 (25/4/42) |
| Amex Mkt. Value | 306.61 | 306.45 | 306.35 | 305.41 | 382.45 (5/1) | 288.07 (30/10) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 371.47 | 371.54 | 372.29 | 370.87 | 469.60 (16/7) | 325.44 (16/10) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Dec. 7 | Nov 30 | Nov.23 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.98 | 4.01 | 4.06 | 3.90 |

| | Dec. 5 | Nov.28 | Nov.21 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.31 | 3.42 | 3.44 | 2.92 |
| S & P Indl. P/E ratio | 15.89 | 15.37 | 15.29 | 14.82 |

**NEW YORK ACTIVE STOCKS**

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Toys R US | 1,931,500 | 25¼ | + ⅛ |
| Philip Morris | 1,628,100 | 50¾ | + ¾ |
| AT & T | 1,594,000 | 29⅝ | — |
| Fannie Mae | 1,424,900 | 34⅛ | + ⅛ |
| LA Gear | 1,399,700 | 16⅛ | + 1⅛ |
| NCR | 1,313,200 | 91¼ | – ⅜ |
| Boeing | 1,283,000 | 44⅞ | – ⅜ |
| Lone Star | 1,207,300 | 2⅛ | – 2⅛ |
| IBM | 1,173,800 | 113⅛ | + ⅞ |
| Gen. Electric | 1,151,700 | 57 | – ⅛ |

**TRADING ACTIVITY**

| † Volume Millions | Dec. 10 | Dec. 7 | Dec. 6 |
|---|---|---|---|
| New York | 238.690 | 164.950 | 256.380 |
| Amex | 7.708 | 10.466 | 17.179 |
| NASDAQ | (u) | 124.579 | 189.444 |
| Issues Traded | 2,003 | 2,020 | 2,025 |
| Rises | 781 | 745 | 866 |
| Falls | 775 | 771 | 691 |
| Unchanged | 447 | 504 | 468 |
| New Highs | 17 | 15 | 58 |
| New Lows | 39 | 30 | 31 |

**CANADA**

| TORONTO | Dec. 10 | Dec. 7 | Dec. 6 | Dec. 5 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2754.03 | 2756.89 | 2774.13 | 2738.43 | 3453.05 (4/1) | 2486.60 (8/11) |
| Composite | 3236.85 | 3233.56 | 3259.37 | 3226.52 | 4009.47 (3/1) | 3009.91 (16/10) |
| MONTREAL Portfolio | 1731.23 | 1727.70 | 1732.41 | 1725.74 | 2060.90 (3/1) | 1607.24 (16/10) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Dec. 10 | Dec. 7 | Dec. 6 | Dec. 5 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1329.6 | 1335.6 | 1323.3 | 1322.8 | 1713.7 (12/1) | 1291.2 (2/11) |
| All Mining (1/1/80) | 615.6 | 621.0 | 619.0 | 620.8 | 860.8 (5/1) | 614.9 (30/11) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 481.33 | 478.98 | 467.17 | 461.02 | 703.29 (19/3) | 480.98 (25/9) |
| **BELGIUM** | | | | | | |
| Brussels SE (Cash Mkt) (1/1/80) | 5165.70 | 5131.33 | 5069.91 | 5061.55 | 6599.43 (12/1) | 4959.99 (25/9) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 324.69 | 324.89 | 323.61 | 322.27 | 388.29 (20/7) | 322.27 (5/12) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 414.0 | 413.8 | (c) | 414.8 | 677.3 (25/1) | 398.9 (24/10) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 446.13 | 447.01 | 442.75 | 438.06 | 564.62 (30/5) | 410.18 (26/9) |
| CAC 40 (31/12/87) | 1675.01 | 1690.71 | 1693.52 | 1668.44 | 2129.32 (20/4) | 1485.39 (25/9) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 650.82 | 649.47 | 645.00 | 631.35 | 832.32 (19/7) | 569.69 (28/9) |
| Commerzbank (1/12/53) | 1851.3 | 1846.6 | 1827.8 | 1793.0 | 2414.0 (3/4) | 1620.7 (28/9) |
| DAX (30/12/87) | 1504.88 | 1512.84 | 1504.67 | 1470.96 | 1968.55 (30/3) | 1334.89 (28/9) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3149.13 | 3163.69 | 3126.79 | 3066.23 | 3559.89 (23/7) | 2738.24 (1/2) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1232.86 | 1219.68 | 1211.41 | 1193.66 | 1893.18 (22/1) | 1193.66 (5/12) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 541.49 | 545.03 | 538.18 | 527.71 | 763.52 (14/6) | 500.67 (29/11) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 23784.67 | 23522.49 | 22553.10 | 22193.72 | 38712.88 (4/1) | 20221.86 (1/10) |
| Tokyo SE (Topix) (4/1/68) | 1757.02 | 1740.34 | 1667.80 | 1639.13 | 2867.70 (4/1) | 1523.43 (1/10) |
| 2nd Section (4/1/68) | 2866.93 | 2835.84 | 2767.39 | 2763.32 | 4477.16 (16/7) | 2763.32 (5/12) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 504.26 | (c) | 490.58 | 480.03 | 632.22 (1/8) | 459.08 (28/9) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 229.7 | 230.9 | 231.6 | 230.4 | 271.9 (20/7) | 225.6 (8/11) |
| CBS All Shr (End 1983) | 168.4 | 169.2 | 169.8 | 168.9 | 206.3 (3/1) | 165.6 (8/11) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 678.16 | 678.49 | 682.92 | 688.94 | 915.13 (2/8) | 653.46 (21/11) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 643.15 | 621.99 | 618.11 | 613.91 | 1160.70 (21/3) | 514.88 (5/10) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 327.15 | 331.98 | 319.92 | 312.54 | 446.87 (16/7) | 301.45 (11/10) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1197.06 | 1197.0 | 1215.8 | 1253.0 | 2238.0 (16/1) | 1197.0 (7/12) |
| JSE Industrial (28/9/78) | 2986.66 | 2956.6 | 2947.8 | 2930.0 | 3211.0 (4/2) | 2640.0 (1/10) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 735.35 | 730.96 | 717.82 | 718.84 | 928.82 (4/1) | 566.27 (17/9) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 241.28 | 239.45 | (c) | 234.64 | 309.74 (16/7) | 209.37 (28/9) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 912.7 | 910.7 | 918.1 | 886.4 | 1329.9 (5/7) | 815.6 (27/11) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 646.1 | 660.6 | 650.9 | 637.3 | 845.5 (13/7) | 613.4 (26/9) |
| SBC General (1/4/87) | 534.9 | 539.1 | 539.8 | 528.1 | 698.2 (13/7) | 510.4 (26/11) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 4522.31 | 4949.81 | 4741.86 | 4987.12 | 12495.34 (10/2) | 2560.47 (1/10) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | (c) | 632.37 | 607.15 | (c) | 1143.78 (25/7) | 544.30 (30/11) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) (3) | (u) | 473.1 | 465.9 | 458.8 | 571.0 (4/1) | 423.1 (28/9) |

**Saturday December 8: Taiwan Weighted Price: 4745.46 Korea Comp Ex. 733.73
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

## TOKYO - Most Active Stocks

Monday 10 December 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel | 18.8m | 431 | +5 |
| Marubeni | 14.1m | 705 | +20 |
| Fujikura | 9.3m | 940 | +45 |
| NKK | 9.1m | 407 | +9 |
| Tokyo Gas | 7.7m | 605 | +17 |
| M'bishi Heavy | 7.3m | 692 | –2 |
| S'tomo Metal | 7.2m | 444 | +10 |
| M'sui Shpbldg | 6.9m | 637 | +25 |
| C. Itoh | 6.7m | 705 | +15 |
| T'io MneFre | 5.6m | 1,380 | –40 |

## AMEX COMPOSITE PRICES

4pm prices December 10

*4pm prices December 10*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A–A–A – | | | | | | | | |
| 15⅝ | 9½ | AAR | .48 | 3.9 | 8 | 348 | 13 | 12⅝ | 12⅝ | – ⅛ |
| 9¼ | 7¼ | ACM p | 1.01 | 12. | | z130 | 8⅞ | 8¾ | 8¾ | |
| 11⅞ | 8¾ | ACMIn | 1.26 | 12. | | x2419 | 10⅛ | 9⅞ | 10⅛ | + ⅛ |
| 9¼ | 6½ | ACM M | n1.01 | 14. | | x1027 | 7⅜ | 7¼ | 7¼ | + ⅛ |
| 12⅛ | 10 | ACMMM | 1.50 | 13. | | x146 | 11⅞ | 11½ | 11⅝ | + ⅛ |
| 11½ | 8⅝ | ACM Sc | 1.28 | 13. | | 2382 | 9⅝ | 9½ | 9⅝ | + ⅛ |
| 9⅝ | 7¼ | ACMSp | 1.01 | 12. | | 632 | 8½ | 8⅜ | 8½ | + ⅛ |
| 24⅝ | 16¾ | AL Lab | .18 | .7 | 20 | 417 | 24¾ | 23½ | 24⅛ | + ½ |
| 4⅝ | 1 | AM Intl | | | | 445 | 1⅛ | 1⅛ | 1⅛ | |
| 19⅛ | 4⅝ | AM In pf | 2 | 26. | | 12 | 7⅞ | 7⅞ | 7⅞ | |
| 70¼ | 50¼ | AMR | | | 16 | 3395 | 52⅛ | 51⅛ | 51⅝ | – ⅜ |
| 26½ | 25 | ANR pf | 2.67 | 11. | | 1 | 25⅝ | 25⅝ | 25⅝ | |
| 4 | 1⅛ | ARX | | | | 56 | 1¼ | 1⅛ | 1⅛ | – ⅛ |
| 72¾ | 39¼ | ASA | 3 | 7.3 | | 632 | 41⅜ | 41¼ | 41⅜ | + ½ |
| 3½ | 2½ | ATTC wt | | | | 1290 | 2½ | d 2⅜ | 2⅜ | – ⅛ |
| 45⅝ | 31¼ | AbtLab | s.84 | 1.9 | 21 | 6375 | 45⅝ | 44⅝ | 45⅜ | + ½ |
| 14 | 10¾ | Abitibi g | .50 | | | 3 | 10¾ | 10¾ | 10¾ | – ⅛ |
| 11⅞ | 4⅞ | AcmeC | .40 | 7.4 | 12 | 12 | 5⅜ | 5⅜ | 5⅜ | |
| 9⅝ | 5 | AcmeE | .32 | 5.7 | 10 | 30 | 5⅝ | 5⅝ | 5⅝ | |
| 32⅛ | 18⅞ | Acuson | s | | 23 | 2136 | 28⅝ | 28½ | 28½ | – ⅛ |
| 16⅞ | 14⅛ | AdaEx | 1.72e | 12. | | 127 | 14⅞ | 14⅝ | 14⅝ | |
| 15⅝ | 10 | Adobe | | | | 258 | 10⅝ | 10⅜ | 10½ | + ⅛ |
| 20¼ | 16 | Adob pf | 1.84 | 11. | | 1 | 17⅝ | 17⅝ | 17⅝ | |
| 21⅝ | 19¼ | Adob pf | 2.40 | 12. | | 2 | 19⅝ | 19⅝ | 19⅝ | – ⅛ |
| 11⅝ | 3⅝ | AMD | | | | 5329 | 5 | 4½ | 5 | + ⅛ |
| 32⅝ | 13 | AMD pf | 3 | 20. | | 716 | 15¼ | 15 | 15⅛ | + ⅛ |
| 9 | 1⅞ | Advest | .16 | 6.7 | | 46 | 2½ | 2⅜ | 2⅜ | – ⅛ |
| 61 | 29 | AetnLf | 2.76 | 7.0 | 9 | 3316 | 39½ | 38⅝ | 39⅝ | + ⅞ |
| 12⅛ | 6¾ | AflPb | .24 | 3.1 | | 384 | 8⅛ | 7⅝ | 7⅝ | – ⅛ |
| 22½ | 10⅝ | Ahmans | .88 | 6.3 | 6 | 3351 | 14⅛ | 13⅝ | 13⅞ | + ⅜ |
| 3⅝ | 1⅞ | Aileen | | | 7 | 10 | 2⅞ | 2⅞ | 2⅞ | – ⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |


Continued on Page 45

# NYSE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

Continued from previous Page

[illegible]

# NASDAQ NATIONAL MARKET

3pm prices December 10

| Stock | Div. | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

FINANCIAL TIMES

Tuesday December 11 1990

AMERICA

# Bargain hunting reverses early Dow retreat

## Wall Street

SELECTIVE bargain buying helped the market to pick up yesterday after Gulf and economic worries had depressed sentiment earlier in the day, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average blue chip indicator was up a net 6.68 at 2,596.78. The Standard & Poor's 500 was 1.15 higher on balance at 328.90, while the over-the-counter index, the Nasdaq composite, was virtually unchanged at 371.47. Turnover on the big board came to 138.6m shares, well below the volume of business seen last week, while rising issues narrowly outpaced declines at the finish by 780 to 771.

The initial market retreat was a direct result of a statement from the Iraqi information minister that Iraq would not withdraw from Kuwait under any circumstances. The statement also had an effect on oil prices; in late New York trading the price of a barrel of January crude was up 32 cents at $26.90.

Sentiment was also undermined by fresh consideration of the much larger than expected rise in November unemployment announced on Friday. Although the Federal Reserve moved quickly to bring down short-term interest rates, concern over the severity of the economic downturn – and its effect on corporate profits – is deepening.

Banks were in the limelight throughout the morning, led by Security Pacific, the fourth largest US commercial banking group, which announced a special $600m fourth quarter bad debt provision, the withdrawal of many of its European and Australian activities and the disbanding of its merchant banking subsidiary.

The drastic financial surgery at the group is intended to tackle real estate problems, build loan loss reserves and strengthen the capital base. SecPac improved $1¼ to $23⅛ on turnover of ¾m shares.

Elsewhere in the sector performances were mixed in strong trading, a reflection of the uncertainty in the market about the immediate outlook for bank earnings.

Aviation shares weakened. Boeing lost $⅜ to $44⅞ on turnover of 1m shares, McDonnell Douglas $1⅛ to $43⅝ and United Technologies $⅜ to $47¼ on worries about future demand for commercial aircraft from an international airline industry suffering from a sharp drop in business.

HAL, the parent of Hawaiian Airlines, was a bright exception, advancing $1¼ to $10⅝ after Northwest, the private airline, agreed to pay HAL $20m for a 25 per cent stake in its subsidiary.

Edison Brothers, the women's shoe store chain, receded $⅜ to $22⅞ on a fall in third quarter profits to 52 cents a share from the corresponding period's 78 cents.

Toys R' Us, the leading toy retailer, were well bought, the shares climbing $⅝ to $23⅝ on turnover of almost 2m. Last week Toys R' Us stock was depressed by expectations of poor Christmas sales, but later buoyed by news of the financial troubles at ChildWorld, its major competitor. Yesterday, ChildWorld shares were down $⅛ at $2⅞.

Lone Star Industries, the cement producer, slumped $2¼ to $2⅝ as more than 1m shares changed hands after announcing that the company and its subsidiaries will seek Chapter 11 protection under the bankruptcy code.

## Canada

TORONTO closed on a mixed note, having recovered from an initial decline, with investors torn between fears of a US recession and hopes that the US Federal Reserve would reduce interest rates.

The composite index finished 3.3 firmer on the day at 3,236.8, although declines edged out rises by 285 to 282. Volume was a low 15.8m shares, down from Friday's 20.8m. Eight of the 14 sub-groups posted gains, but only gold, with a 1.21 per cent rise, was up significantly.

EUROPE

# Bourses subside as institutions stage year-end retreat

VOLUME slipped on many bourses yesterday, institutions retreating as the close of the year approached, *writes Our Markets Staff.*

FRANKFURT ended lower in thin trading as an early attempt to extend last week's gains failed. Dealers talked of a lack of follow-on orders at higher price levels. After a 1.35 rise to 650.82 in the FAZ index at midsession, the DAX closed 8.04 lower at 1,504.80, against a high of 1,521.09 early in the session. Volume fell from DM6.0bn to DM4.9bn.

Merck Finck in Düsseldorf noted a degree of strength in banks, where Dresdner ended DM4.50 better at DM383.50, apparently on hopes that German interest rates will follow their US counterparts down. The bank itself has reservations about interest rate prospects in an economy which will have to fund the rebuilding costs of East Germany.

The improvement in sentiment about German banking profits, however, was reflected in Bayernhypo, 50 pfg better after reporting a 2.8 per cent decline in group ten-month operating profits, largely as a result of continuing start-up costs at new subsidiaries in the U.K. and Germany. The bank said later that steady 1990 profits would allow it to pay an unchanged DM13 dividend.

PARIS stayed steady for most of the day but lost ground in the afternoon as the French franc weakened and Wall Street opened lower. The CAC 40 index lost 15.70 to 1,675.01 in volume estimated at around FFr1.7bn.

Trading concentrated on BSN and LVMH following news on Friday that BSN was selling its champagne business to LVMH. BSN fell FFr13 to FFr758 with 142,730 shares dealt, as investors took profits after Friday's 4.2 per cent gain. Analysts said that the market regarded the deal as favouring BSN in the short-term. On the other hand, LVMH fell FFr167 to FFR3,692 on volume of 21,370 shares as the market took the view that the company had paid over the odds for BSN's champagne brands and that its debt burden had increased as a result of the acquisition.

MILAN did a quite a good job of absorbing the selling pressure stemming from options-related activity. Traders estimated that more than 70 per cent of call options were taken up yesterday when they expired and the underlying shares were sold to make an immediate gain. Trading was expected to remain technical before Wednesday when the December account closed. The Comit index fell 3.54 to 541.49 in volume estimated below Friday's L195bn.

Blue-chip stocks were largely ignored, with Fiat falling L31 to L5,870 and Generali losing L310 to L30,700. Smaller stocks were favoured, with La Rinascente adding L50 to L5,640.

News that Italy's three largest unions called for a strike on December 20 in support of the engineering union came after the market closed. Talks between the engineering union and the employers association Confindustria over a shorter working week broke down over the weekend.

AMSTERDAM closed lower in quiet trading as the weaker dollar sparked a decline in blue chip stocks. The CBS Tendency index fell 0.5 to 97.4.

Philips ended 50 cents lower at Fl 20.90 after a report in a Dutch newspaper that the company's core lighting business would only break even during the fourth quarter of this year, and that earnings would not recover until 1992. There was also a report that KLM had cancelled an order it had awarded to Philips for mini television screens for use on long-haul flights.

ZURICH fell as nervous foreign investors pulled back from the Swiss market, leaving overall volume at a very low level. The Crédit Suisse index slipped 2.8 to 482.4.

CS Holding fell SFr40 to SFr1,680. The company, parent of Crédit Suisse, forecast lower group profits for the current year. Among other blue chips, Brown Boveri in engineering lost SFr120 francs to SFr4,170 and Ciba-Geigy in chemicals dropped SFr50 to SFr2,490.

Sandoz, however, built on Friday's gains, adding SFr20 to SFr9,220, as the market reacted positively to news that it aimed to increase accessibility to its schizophrenia drug Clozaril in the US by significantly reducing the price.

STOCKHOLM closed mixed as profit-taking after last week's gains combined with continued buying interest from institutions. The Affärsvärlden general index rose 2.0 to 912.7 in turnover of SKr201m, down from SKr355m on Friday.

The forestry index continued to outperform the general index, gaining 2 per cent. MoDo saw its restricted C shares rise SKr13 to SKr153 after its chairman said that he had received a bid for his stake of around 15.7 per cent of votes in the company. The free B shares added SKr10 to SKr210.

OSLO eased in quiet trading. The all-share index fell 3.49 to 470.02 in trading worth NKr136m. After the market closed, Norway's main union federation demanded new pay talks; November inflation showed an annual rate of 4.5 per cent, above the agreed four per cent pay increase for 1990.

MADRID opened an hour and a half late because of technical problems. Later, prices rose on year-end institutional activity. The general index rose 1.75 to 241.20.

BRUSSELS saw shares in Acec Union Minière rise BFr350 to BFr5,165.70 on speculation that the holding company Société Générale would reduce its stake in the company. The cash market index rose 34.37 to 5,165.70 at the start of the first trading account for 1991.

ASIA PACIFIC

# Nikkei advances for fourth day though turnover falls

## Tokyo

IN SPITE of profit-taking, the Nikkei average rose for the fourth consecutive session yesterday. Trading was led by dealers as institutional investors were still wary, *writes Emiko Terazono in Tokyo.*

Up 969.39 last Friday, the index put on a further 262.18 to 23,784.67, against a day's high of 23,862.41 and low of 23,350.87. Volume fell from 570m shares to 400m. Advances led declines by 755 to 209, with 117 issues unchanged. The Topix index of all first section stocks rose 16.68 to 1,757.02, but in London the ISE/Nikkei 50 index slipped 2.85 to 1,341.03.

Equities were helped by lower oil prices and a large injection of funds into the money market, which raised hopes of reduced interest rates. Prices also revived after arbitrage-related selling dried up.

Mr Charles Lambert at Jardine Fleming Securities said many investors were expecting a higher turnover. "We had expected the sentiment from last Friday to carry on through this week," he added.

Large-capital issues were generally strong, but some lost ground on profit-taking. Sumitomo Metal Mining shed Y10 to Y1,070.

Non-life insurance companies, strong recently on foreign buying, also succumbed to profit-taking. Tokio Marine & Fire fell Y40 to Y1,360 and Taisho Marine & Fire declined Y10 to Y1,040.

Matsushita Communication Industries was down Y60 to Y3,260, declining for the first time in five consecutive trading days. Other telecom issues which had attracted investors on the liberalisation of car and mobile phones in 1994, also fell. Japan Radio lost Y40 to Y2,290.

Fujikura, a leading electric cables maker, gained ground for the fourth trading day in a row, adding Y45 at Y840. The firm's steady sales of optical fibres for communications to Nippon Telegraph and Telephone (NTT) attracted buy orders.

International electricals and other export-oriented issues were soft on concern over the weakening US economy, Fujitsu shedding Y10 to Y1,000. Automobiles also declined, with Nissan Y17 lower at Y715 and Toyota Y40 off at Y1,760.

Chiyoda, a leading plant engineering company with petrochemical plant projects in the Middle East, gained Y140 to Y1,790. The issue had faced heavy selling since the breakout of the Gulf crisis, but investors gained confidence in the stock on the release of the hostages and hopes of a peaceful resolution.

Daiei, the leading supermarket chain, gained in the morning but lost steam, closing unchanged at Y1,490. Last week the company pledged to aid Shuwa, a property and stock investment company stricken by high interest rates.

In Osaka, chemical and machinery stocks advanced while oil and construction issues lost ground. The OSE average climbed 567.25 to 26,154.90 on volume of 32.5m shares. Ono Pharmaceutical added Y110 at Y4,630 and Nintendo Y100 at Y21,500.

## Roundup

MOST Pacific Basin markets were unwilling to take Friday's gains much further, but there were pockets of light in the gloom. Bangkok was closed for the Constitution Day holiday.

MANILA gave the best performance of the day, the composite index rising 21.16, or 3.4 per cent, to 643.15 as news of a positive oil find in the southern Philippines buoyed share prices in active trading.

Selected oil shares belonging to the West Linapacan drilling consortium generated much of the session's volume, which more than doubled from 95m to 206.6m pesos.

The local Securities and Exchange Commission lifted the daily price ceiling after the opening trades. The oils index surged 1.987 to 8.862. Oriental Petroleum & Minerals, holders of a 36.6 per cent stake in West Linapacan, advanced 0.018 peso a share, or 48.6 per cent, to close at 0.055 peso.

TAIWAN fell again. After a recovery of 13 per cent in the week to last Friday, Saturday saw a drop of 304.35 in the weighted index and yesterday a further decline of 123.15, making a two-day plunge of 8.4 per cent to 4,522.31.

Volume decreased from T$61.8bn to T$56.6bn with profit-taking concentrated on banking. The market is still 77 per cent up from its 1990 low of 2,560.47.

AUSTRALIA heard rumours, confirmed towards the close, that the John Fairfax newspaper publishing group was about to be placed in receivership, and the All Ordinaries index dipped 6.0 to 1,329.6.

ANZ, part of a group of banks owed A$1.2bn by Fairfax, receded 16 cents to A$3.46 in turnover of 2.4m shares. Overall turnover value fell from A$250m to A$131m.

HONG KONG broke a five-session winning streak as profit-taking brought the Hang Seng Index back 14.56 to 3,149.13 in turnover down from HK$1.6bn to HK$961m.

Hong Kong Land topped the actives list and gave up 25 cents to HK$7.50 on talk of a cut in rental rates. Dealers said much of the profit thus taken went into Wharf Holdings, another major investment property group, following Friday's better than expected 19 per cent rise in interim profits to HK$691m. Wharf, up 15 cents at HK$8.25, was the second most heavily traded stock.

SINGAPORE's Straits Times Industrial index ended 17.98, or 1.5 per cent, lower at 1,179.87. KUALA LUMPUR seemed more resilient, rising 13.68 to 504.26, but the market had missed Friday's gains when it closed for the day as a mark of respect to Mr Tunku Abdul Rahman, the former prime minister.

NEW ZEALAND firmed on volume described as unusually active for the start of the week. The Barclays index improved 11.37 to 1,264.10 as turnover, with off-market transactions boosting thin on-market trading, edged up from NZ$9.6m to NZ$9.9m.

BOMBAY, closed last Friday to allow brokers to catch up with settlement work, saw the BSE rise 35.04, or 3 per cent, to 1,214.45.

## SOUTH AFRICA

TRADING was dull in the absence of fresh factors, but interest in quality issues persisted. The JSE all-gold index closed unchanged at 1,197 while the industrial index added 30 to 2,986. The all-share index rose 14 to 2,708.

# Markets rise on prospect of peace

### MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1990 | Start of 1990 | Start of 1990 |
| Austria | +6.37 | -8.17 | +10.58 | +1.41 | -4.41 | +15.69 |
| Belgium | +2.95 | +1.03 | -23.47 | -22.42 | -25.67 | -10.05 |
| Denmark | -0.44 | -3.78 | -13.84 | -12.70 | -16.63 | +0.90 |
| Finland | +1.70 | +3.29 | -29.44 | -28.92 | -33.49 | -19.50 |
| France | +5.37 | +6.93 | -17.56 | -18.77 | -22.65 | -6.39 |
| Germany | +4.48 | +7.68 | -8.50 | -13.67 | -18.44 | -1.29 |
| Ireland | +2.60 | +1.46 | -26.00 | -27.19 | -30.10 | -16.41 |
| Italy | +9.47 | +2.96 | -22.52 | -24.72 | -29.22 | -14.34 |
| Netherlands | -0.06 | +2.37 | -17.03 | -17.45 | -21.88 | -5.46 |
| Norway | -5.28 | -6.53 | +0.45 | -4.49 | -10.26 | +8.60 |
| Spain | +4.75 | +5.38 | -21.26 | -19.46 | -23.00 | -6.81 |
| Sweden | +9.14 | +5.96 | -11.50 | -18.81 | -25.45 | -9.77 |
| Switzerland | +4.76 | +3.76 | -19.22 | -18.32 | -17.54 | -0.21 |
| UK | +1.73 | +6.95 | -8.50 | -11.19 | -11.19 | +7.47 |
| EUROPE | +3.31 | +5.84 | -12.84 | -15.05 | -17.53 | -0.19 |
| Australia | +1.17 | +0.90 | -15.71 | -16.79 | -32.65 | -18.49 |
| Hong Kong | +6.57 | +7.82 | +10.25 | +9.70 | -9.34 | +9.72 |
| Japan | +6.34 | +3.99 | -40.75 | -40.47 | -46.05 | -34.71 |
| Malaysia | +6.04 | +3.11 | -6.62 | -12.99 | -28.04 | -12.91 |
| New Zealand | -0.82 | -1.76 | -37.30 | -35.85 | -46.27 | -34.96 |
| Singapore | +7.93 | +8.99 | -14.40 | -16.16 | -23.34 | -7.22 |
| Canada | +2.17 | +4.17 | -14.50 | -15.03 | -29.82 | -15.07 |
| USA | +1.78 | +4.67 | -6.11 | -7.47 | -23.55 | -7.47 |
| Mexico | +6.82 | +13.95 | +128.41 | +106.28 | +55.87 | +88.64 |
| South Africa | +3.41 | +2.28 | -12.84 | -10.65 | -24.06 | -8.12 |
| WORLD INDEX | +3.72 | +4.73 | -22.29 | -26.44 | -31.69 | -17.31 |

† Based on December 7th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By Antonia Sharpe

THE POSSIBILITY of peace in the Gulf and the subsequent drop in crude oil prices lifted most markets around the world last week, and the FT-Actuaries world index rose 3.7 per cent in local currency terms.

In Europe, Italy and Sweden put in the best performances, showing rises of 9.5 per cent and 9.1 per cent respectively, as domestic and foreign institutions pumped cash into markets which had underperformed in recent months.

Mr Peter Karlsson at Enskilda Securities said confidence in the Swedish market was restored to a certain extent after forced selling by investors with heavy margin commitments dried up: "Once one institution started to add stock, others followed."

However, while the Swedish market had been ready for a technical rebound, there was still no quick solution to the country's economic woes. The Rehnberg Commission, appointed by the government to negotiate pay with the trade unions, was expected to table its proposals for next year's settlement this week. Mr Karlsson said the market would react positively if the commission concluded that wage rises should be held to three per cent.

Milan's recovery was fuelled by widespread short-covering by professionals who had gone short ahead of a series of strikes by floor traders to protest against the slow passage of stock market reform through parliament. Last week saw some progress on that front, resulting in a suspension of further strikes.

Analysts, however, were cautious about further advances now that the Comit index had reached their short-term target of 550. Mr Filippo Lardera at UBS Phillips & Drew pointed to the growing embarrassment surrounding Mr Francesco Cossiga, the country's president, following revelations of his alleged implication in Operation Gladio, a NATO-inspired guerrilla force. A full-scale political crisis could damage the market, Mr Lardera said.

Norway was the week's biggest faller, dropping 5.3 per cent as weakening crude oil prices prompted profit-taking.

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY DECEMBER 10 1990 | | | | | | | | FRIDAY DECEMBER 7 1990 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1990 High | 1990 Low | Year ago (approx) |
| Australia (75) | 121.87 | −1.2 | 92.92 | 101.57 | 93.30 | 105.50 | −0.5 | 7.39 | 123.39 | 93.74 | 102.25 | 94.91 | 106.03 | 158.81 | 118.98 | 148.43 |
| Austria (19) | 213.72 | +1.4 | 162.95 | 178.13 | 163.62 | 163.42 | +0.8 | 1.67 | 210.78 | 160.14 | 174.66 | 162.13 | 162.18 | 285.63 | 178.57 | 162.24 |
| Belgium (61) | 141.02 | +1.4 | 107.52 | 117.58 | 107.98 | 106.07 | +0.7 | 5.47 | 139.13 | 105.70 | 115.29 | 107.02 | 105.34 | 160.02 | 126.67 | 148.83 |
| Canada (120) | 129.61 | +0.3 | 98.82 | 108.01 | 99.21 | 108.54 | +0.1 | 3.74 | 129.25 | 98.19 | 107.10 | 99.41 | 108.47 | 153.61 | 121.24 | 151.28 |
| Denmark (33) | 246.00 | +0.7 | 187.56 | 205.03 | 188.32 | 189.46 | +0.1 | 1.59 | 244.41 | 185.68 | 202.56 | 188.00 | 189.23 | 277.62 | 234.05 | 231.93 |
| Finland (25) | 107.70 | +0.4 | 82.11 | 89.76 | 82.45 | 90.09 | −0.4 | 3.81 | 107.30 | 81.52 | 88.92 | 82.58 | 90.36 | 152.29 | 98.91 | 129.81 |
| France (122) | 145.33 | −0.5 | 110.81 | 121.12 | 111.25 | 114.10 | −0.8 | 3.65 | 146.06 | 110.96 | 121.08 | 112.34 | 115.01 | 168.85 | 124.98 | 147.62 |
| Germany (91) | 123.06 | +0.8 | 93.83 | 102.58 | 94.21 | 94.21 | +0.3 | 2.41 | 122.12 | 92.78 | 101.22 | 93.93 | 93.93 | 144.63 | 101.38 | 110.99 |
| Hong Kong (48) | 127.41 | −0.9 | 97.15 | 106.19 | 97.54 | 127.63 | −0.9 | 5.24 | 128.52 | 97.64 | 106.50 | 98.86 | 128.75 | 147.49 | 112.24 | 115.92 |
| Ireland (16) | 157.41 | +2.5 | 120.02 | 131.19 | 120.50 | 122.34 | +2.0 | 4.23 | 153.57 | 116.67 | 127.27 | 118.13 | 119.89 | 198.57 | 139.04 | 170.93 |
| Italy (91) | 83.89 | −0.5 | 63.96 | 69.91 | 64.22 | 69.67 | −0.7 | 3.53 | 84.32 | 64.06 | 69.87 | 64.86 | 70.18 | 109.26 | 75.73 | 92.33 |
| Japan (453) | 129.15 | +0.2 | 98.47 | 107.64 | 98.89 | 107.64 | +0.8 | 0.79 | 128.89 | 97.92 | 106.81 | 99.15 | 106.81 | 197.26 | 106.58 | 198.79 |
| Malaysia (36) | 203.96 | +2.2 | 155.51 | 169.98 | 156.13 | 211.73 | +2.2 | 3.19 | 199.47 | 151.54 | 165.29 | 153.43 | 207.11 | 250.89 | 182.98 | 213.16 |
| Mexico (12) | 613.13 | −0.1 | 467.49 | 511.01 | 469.38 | 1971.89 | −0.1 | 0.35 | 613.98 | 466.44 | 508.79 | 472.25 | 1974.54 | 613.98 | 324.53 | 301.85 |
| Netherland (41) | 135.99 | +0.0 | 103.69 | 113.34 | 104.11 | 103.08 | −0.5 | 5.22 | 136.04 | 103.35 | 112.74 | 104.64 | 103.60 | 149.03 | 127.56 | 137.42 |
| New Zealand (15) | 47.83 | +2.0 | 36.47 | 39.86 | 36.61 | 41.75 | +1.0 | 8.19 | 46.87 | 35.61 | 38.84 | 36.05 | 41.34 | 75.36 | 45.91 | 72.81 |
| Norway (27) | 218.90 | +0.9 | 166.90 | 182.45 | 167.58 | 171.36 | +0.3 | 1.80 | 217.04 | 164.88 | 179.86 | 166.95 | 170.86 | 276.79 | 202.34 | 188.64 |
| Singapore (25) | 162.79 | −1.0 | 124.12 | 135.68 | 124.62 | 128.21 | −1.4 | 3.44 | 164.41 | 124.90 | 136.25 | 126.46 | 130.09 | 209.24 | 147.24 | 171.16 |
| South Africa (60) | 180.83 | +0.1 | 137.88 | 150.71 | 138.43 | 136.53 | +0.5 | 4.06 | 180.56 | 137.19 | 149.64 | 138.89 | 135.88 | 251.39 | 151.50 | 185.88 |
| Spain (42) | 153.86 | +1.2 | 117.31 | 128.24 | 117.79 | 109.80 | +0.9 | 5.06 | 151.98 | 115.46 | 125.95 | 116.90 | 108.86 | 182.25 | 128.54 | 159.66 |
| Sweden (27) | 174.18 | +0.5 | 132.80 | 145.17 | 133.34 | 143.04 | +0.1 | 2.84 | 173.28 | 131.64 | 143.60 | 133.29 | 142.94 | 234.98 | 153.11 | 178.09 |
| Switzerland (68) | 92.85 | −1.1 | 70.79 | 77.39 | 71.09 | 72.67 | −1.1 | 2.90 | 93.87 | 71.32 | 77.80 | 72.21 | 73.47 | 109.77 | 85.00 | 91.47 |
| United Kingdom (298) | 169.85 | −0.4 | 129.51 | 141.55 | 130.02 | 129.51 | −0.1 | 5.40 | 170.56 | 129.58 | 141.33 | 131.18 | 129.58 | 176.18 | 139.87 | 152.08 |
| USA (533) | 132.82 | +0.3 | 101.27 | 110.70 | 101.68 | 132.82 | +0.8 | 3.73 | 132.36 | 100.56 | 109.69 | 101.81 | 132.36 | 148.95 | 119.06 | 141.25 |
| Europe (961) | 142.00 | −0.1 | 108.27 | 118.35 | 108.72 | 108.88 | −0.1 | 4.27 | 142.11 | 107.96 | 117.77 | 109.31 | 109.03 | 157.65 | 124.91 | 134.60 |
| Nordic (112) | 179.92 | +0.6 | 137.18 | 149.96 | 137.74 | 137.28 | +0.1 | 2.21 | 178.82 | 135.86 | 148.19 | 137.55 | 137.14 | 223.29 | 170.59 | 175.89 |
| Pacific Basin (651) | 128.49 | +0.1 | 97.97 | 107.09 | 98.37 | 107.87 | +0.7 | 1.19 | 128.32 | 97.49 | 106.34 | 98.70 | 107.13 | 192.75 | 107.82 | 191.75 |
| Euro−Pacific (1612) | 134.35 | +0.0 | 102.44 | 111.97 | 102.85 | 109.11 | +0.3 | 2.52 | 134.29 | 102.02 | 111.28 | 103.29 | 108.76 | 174.18 | 116.03 | 169.00 |
| North America (653) | 132.53 | +0.3 | 101.05 | 110.47 | 101.48 | 131.22 | +0.3 | 3.73 | 132.08 | 100.34 | 109.47 | 101.61 | 130.79 | 148.43 | 119.28 | 141.75 |
| Europe Ex. UK (663) | 124.62 | +0.2 | 95.01 | 103.88 | 95.42 | 96.69 | −0.2 | 3.45 | 124.40 | 94.51 | 103.11 | 95.71 | 96.88 | 145.62 | 109.94 | 122.80 |
| Pacific Ex. Japan (198) | 119.97 | −0.8 | 91.47 | 100.00 | 91.85 | 107.18 | −0.5 | 6.18 | 120.93 | 91.88 | 100.23 | 93.03 | 107.75 | 146.72 | 116.03 | 131.47 |
| World Ex. US (1804) | 134.92 | +0.1 | 102.87 | 112.46 | 103.29 | 109.83 | +0.3 | 2.57 | 134.85 | 102.45 | 111.76 | 103.73 | 109.48 | 173.77 | 117.12 | 168.62 |
| World Ex. UK (2039) | 129.55 | +0.2 | 98.78 | 107.98 | 99.19 | 115.70 | +0.4 | 2.66 | 129.26 | 98.20 | 107.12 | 99.43 | 115.26 | 162.00 | 115.37 | 158.36 |
| World Ex. So. Af. (2277) | 132.84 | +0.2 | 101.28 | 110.73 | 101.70 | 116.93 | +0.3 | 2.96 | 132.64 | 100.77 | 109.93 | 102.03 | 116.54 | 161.84 | 118.04 | 157.61 |
| World Ex. Japan (1884) | 136.51 | +0.1 | 104.08 | 113.79 | 104.52 | 122.07 | +0.1 | 4.04 | 136.34 | 103.58 | 112.99 | 104.89 | 121.94 | 151.59 | 124.31 | 139.24 |
| The World Index (2337) | 133.13 | +0.2 | 101.51 | 110.96 | 101.92 | 117.07 | +0.3 | 2.97 | 132.92 | 100.99 | 110.16 | 102.25 | 116.68 | 162.05 | 118.33 | 157.78 |



CONSTITUENT CHANGE (10/12/90): Deletion: Carroll (P.J.) (Ireland).